

Expeditionary Economics and Its Implications on the United States Army

**A Monograph
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Abstract

Expeditionary Economics and Its Implications on the United States Army by Major Marc E. Pelini, U.S. Army, 55 pages.

Since the end of the Cold War, the United States government has increasingly deployed its Army forces in support of global stability and support operations. Based on the 2010 Department of Defense Review and the Department of Defense Directive 3000.05, this trend is likely to continue for the foreseeable future. These documents, as well the national security documents at every level of the U.S. federal government place a mandate on the military to develop, institutionalize, and resource economic stability and development capabilities to reduce both global instabilities and to prevent regional and global insurgencies. While the Army has begun to adapt in response to these directives, it remains institutionally ill-prepared to deal with the economic issues presented in stability operations. This monograph investigates two influential economic theories that could serve as fundamental approaches towards economic development in stability operations; analyzes what and how effective the “whole-of-government” approach has been in stability operations in Iraq and Afghanistan; examines how the Army is trying to change its institutional approach to stability operations; and identifies areas in the Army force structure, doctrine, training and education, and organization that could increase its overall effectiveness in future stability operations.

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Acronyms

AAB – Advise and Assist Brigade

AC – Active Component

ACS – Advanced Civil Schooling

ARFORGEN – Army Force Generation Model

ASI – Army Skill Identifier

BCT – Brigade Combat Team

BDE – Brigade

BOG – Boots on the Ground

CA – Civil Affairs

CARD – Center for Agriculture and Rural Development

CCC – Captains Career Course

CCJO – Capstone Concept for Joint Operations

CCP – Contingency Command Post

CGSC – Command and General Staff College

CERP – Commander’s Emergency Relief Program

DoD – Department of Defense

ePRT – Embedded Provincial Reconstruction Teams

FM – Field Manual

GCC – Global Combatant Command

HBCT – Heavy Brigade Combat Teams

ILE – Intermediate Level Training

JOE – Joint Operating Environment

NDS – National Defense Strategy

NGO – Non-Government Organization

NSS – National Security Strategy

OBC – Officer Basic Course

OEF – Operation Enduring Freedom

OIF – Operation Iraqi Freedom

PRT – Provincial Reconstruction Teams

QDR – Quadrennial Defense Review

RC – Reserve Component

S/CRS – Department of State Office of the Coordinator for Reconstruction and Stabilization

USAID – United States Agency for International Development

USAFRICOM – United States Africa Command

USAR – United States Army Reserve

USCENTCOM – United States Central Command

USEUCOM – United States European Command

USPACOM – United States Pacific Command

USSOUTHCOM – United States Southern Command

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Introduction

But I have spoken thus far only of the military challenges which your education must prepare you for. The nonmilitary problems, which you will face, will also be most demanding. . . In the years ahead, some of you will serve as advisors to foreign aid missions or even to foreign governments. . . . Whatever your position, the scope of your decisions will not be confined to the traditional tenants of military competence and training. . . . You will be involved in economic judgments, which most economists would hesitate to make. . . .¹

-- President John F. Kennedy, Remarks to the United States Military Academy Graduating Class of 1962

Since the end of the Cold War, the U.S. government has become increasingly dependent on its military to support its global political objectives. During this time, the U.S. military has deployed in support of over 110 contingencies throughout the world.² These contingencies have ranged from peacekeeping operations in Kosovo and Bosnia to combat and later stability and reconstruction operations in Afghanistan and Iraq. Because of these operations, the U.S. has gained significant experience and insights into conducting operations across the full spectrum of conflict. While some would argue that the challenging experiences in Afghanistan and Iraq would make politicians less prone to deploy the military in the future, these pundits are not properly considering the current geopolitical environment.

The United States exists in a world that is interconnected more than at any other time in history. Globalization, global terrorism, and regional instability have significantly increased the complexity of the world. They have not only placed greater demands on resources, but have placed disparate cultures in direct confrontation with each other in areas or regions that possess critical U.S. economic and military interests. As a result, the United States is committed to

¹ John F. Kennedy, "Remarks at West Point to the Graduating Class of the U.S. Military Academy," John F. Kennedy Library, June 6, 1962.
<http://www.jfklibrary.org/Asset+Tree/Asset+Viewers/Audio+Video+Asset+Viewer.htm?guid={71B1B505-C400-4CA5-8CE8-2C36BC2618F0}&type=Audio> (accessed December 7, 2010).

² Richard F. Grimmett, *CRS Report for Congress: Instances of Use of United States Armed Forces Abroad, 1798-2007* (Washington, D.C.: Congressional Research Service, 2008),
<http://www.au.af.mil/au/awc/awcgate/crs/rl32170.pdf> (accessed December 7, 2010).

ensuring these interests remain secure by achieving long-term stability of these states and regions. Yet, unlike the pre-Cold War environment, which viewed the Soviet threat as linear and to an extent predictable, the asymmetrical environment and threats that the United States faces today and for the near future are more lethal, adaptable, and irregular.

The *2010 Joint Operating Environment* (JOE), a document that provides a strategic framework and forecasts threat trends that will challenge the U.S. Armed Forces in the future, states that the U.S. will continue to face numerous multidimensional challenges to its security. The U.S. will continue to confront challenges posed by increasing proliferation of technology, globalization, urbanization, and weak or failing states, as well as competing international narratives. The prospects provided by these trends may increase the necessity to deploy U.S. Forces to secure our global interests. They will present unique challenges to our military capabilities by growing conventional, irregular, or hybrid threats that operate in both urban and austere environments.³ As a result, the U.S. military must develop capabilities and expertise that not only focuses on defeating these potential threats, but also create an environment that prevents their reoccurrence.

While the first priority of the U.S. military must always be the safety and security of its population, it must face the fact that the nature of warfare is ever changing and evolving. The military must shed the paradigm of focusing solely on the lethality of the military instrument of power and recognize that in order to protect the U.S. interests in the long-term, it must be willing to possess and sustain innovative security assistance and stability operations capabilities. It must be willing to instill and institutionalize many of the ad hoc security assistance, stability, reconstruction and peacekeeping capabilities that were painfully borne out of Operation Enduring

³ United States Joint Forces Command, *Joint Operating Environment: 2010* (Suffolk, VA: Government Printing Office, 2010), 3.

Freedom (OEF) and Operation Iraqi Freedom (OIF).⁴ While both of these conflicts demonstrate that the U.S. military is extremely capable of providing short-term stability while its troops are on the ground, the underlying challenge remains – how can the U.S. military establish long-term security so it does not have to return? One avenue to potential success is simple to identify, it is even harder to solve – economic development. Despite this avenue for long-term stability, the U.S. Army is currently ill-prepared to deal with economic issues presented in stability operations.

According to Paul Collier, a former Director of the Development Research Group of the World Bank, economic disparity is the root cause of conflict. Contrary to many previous assertions, social grievances such as inequality, lack of democracy, and ethnic and religious divisions are not the root cause of conflict. Rather, Collier identifies economic conditions such as dependence on commodity exports and low national income as the main contributive factors to conflict.⁵ He ascertains that there is a strong correlative relationship between the risk of conflict and the population's level of income. This relationship is important because he demonstrates that a decline in per capita income is directly proportional to the increase in risk of conflict in that nation.⁶ Given this fact, a primary question remains: Does the U.S. military need to create an economic development capability as part of its stability and reconstruction portfolio or should it remain the responsibility of another U.S. agency?

According to Kori Schake, a research fellow at the Hoover Institute, the responsibility for economic development is not a military one. Rather, Schake argues that the lines of authority for economic development “lie with the Department of State, the U.S. Agency for International

⁴Robert M. Gates, “Helping Others Defend Themselves.” *Foreign Affairs* 89, no. 3 (May/June 2010): 2. In this article, Secretary of Defense Robert M. Gates stated that the types of threats that the US will encounter will require many of the ad hoc security assistance, stability, and reconstruction capabilities that the Department of Defense (DoD) created during the prosecution of the wars in Afghanistan and Iraq.

⁵ Paul Collier, “Economic Causes of Civil Conflict and their Implications for Policy” (University of Oxford, 2006), <http://users.ox.ac.uk/~econpco/research/pdfs/EconomicCausesofCivilConflict-ImplicationsforPolicy.pdf> (accessed December 7, 2010), 6.

⁶ Ibid, 6.

Development, the Export-Import Bank of the U.S. Trade Representative, the Department of Commerce and the Department of Treasury.”⁷ Yet, experiences in Iraq and Afghanistan have demonstrated that these departments and agencies have not adequately fulfilled their statutory requirements. This, in turn, creates operational voids that the Department of Defense (DoD) typically has to fill without any level of expertise or preparation. These voids occur because of the environments in which these civilian agencies are required to operate and not a result of their expertise. Because many stability and reconstruction operations occur in hostile⁸ or uncertain⁹ environments, where the risk for armed conflict is present, civilian servants are less likely to deploy to these areas. The difficulties of deploying civilian servants was evident in 2007 when Department of State employees balked at calls to serve in Iraq during the troop surge and when violence in Baghdad was high.¹⁰ While Secretary of State Condoleezza Rice eventually filled these vacancies with some direct intervention, the question remains if the embassy received the right level of expertise to fill these positions.

In 2004, the U.S. federal government attempted to address the requirement for an economic development capability as well as others needed during the period in which operations change from “sustained combat operations to stability operations,”¹¹ or commonly referred to as

⁷ Kori Schake, “Operationalizing Expeditionary Economics” (Hoover Institution, 2010), 2.

⁸ Joint Staff, *Joint Publication 1-02: Dictionary of Military and Associated Terms: As Amended Through 31 July 2010* (Washington, D.C.: Government Printing Office, 2010), 212. A hostile environment is an “operational environment in which hostile forces have control as well as the intent and capability to effectively oppose or react to the operations a unit intends to conduct.”

⁹ Joint Staff, *Joint Publication 1-0: Dictionary of Military and Associated Terms: As Amended Through 31 July 2010* (Washington, D.C.: Government Printing Office, 2010), 212. An uncertain environment is an “Operational environment in which host government forces, whether opposed to or receptive to operations that a unit intends to conduct, do not have totally effective control of the territory and population in the intended operational area.”

¹⁰ National Public Radio, “Diplomats Pushed to Serve in Iraq,” National Public Radio, <http://www.npr.org/templates/story/story.php?storyId=15939537&ft=1&f=1012> (accessed December 7, 2010).

¹¹ Joint Staff, *Joint Publication 3.0: Joint Operations: Incorporating Change 2* (Washington, D.C.: Government Printing Office, 2010), IV-29.

Phase IV operations. During this phase, it is expected that the host country will have a limited or lack of a legitimate government. To prevent the country from falling into further chaos, the U.S. military must be prepared to perform limited government functions and to coordinate and integrate other government, non-government organization (NGO) and international government efforts until a legitimate government is functioning.¹² In its attempt to address this essential capability outside the military, the U.S. federal government established the Civilian Response Corps. This agency, which is part of the Department of State Office of the Coordinator for Reconstruction and Stabilization (S/CRS), is authorized to hire 4,250 people to fill this gap. Yet, these civilians do not receive the necessary security training to protect them in either a hostile or an uncertain environment. The resulting threats from these environments and a lack of security training may drive some of these experts to respond in the same way their peers did in 2007 when faced with the prospects of being assigned to the U.S. Embassy in Iraq. Based on this assertion, it is likely that the U.S. Army will be compelled to fill any vacancies if it is going to effectively and successfully garner the support of the local population and establish the conditions for long-term success. With this in mind, former United Nations General Dag Hammerskold's statement remains relevant today that, "peacekeeping is not a job for soldiers, but only a soldier can do it."¹³

In dealing with the complex economic problems present in stability operations, there are no easy solutions. Yet the solutions that we implement must be done with some basic understanding and expertise of both the economic theories that describe and provide a fundamental understanding of economics. Without this knowledge, hidden economic effects that could have been identified through education may worsen the problem and change the course of the whole strategy that the United States is pursuing. Rather than simply spending money to

¹² Ibid, IV-29.

¹³ Conrad C. Crane, "Phase IV Operations: Where Wars are Really Won," *Military Review* (May-June 2007): 19.

achieve short-term symptomatic solutions, the U.S. military should address the economic causes and help define and implement long-term solutions that resolve the underlying economic causes of instability.

While there is a general sense that the military is beginning to develop approaches to deal with the overall challenges of stability operations, comprehensive tools to analyze and constructively develop recommended solutions to the economic issues on the battlefield are insufficient. The Army must look at the way that it is constructed if it is going to be able to really reframe the problem and develop innovative capabilities that are able to address the economic challenges that are present within stability operations. One argument is that the Army should develop numerous peacekeeping units that are solely responsible for stability operations. While this is an appealing method, the current and projected rotational requirements for supporting the numerous global contingencies make this option untenable. This is because the reliance on the Reserve Component, consisting of the Army National Guard and Army Reserve is becoming less sustainable when their soldiers are removed from their civilian occupations on a routine basis.

The Army has taken considerable steps forward in another approach by institutionalizing the modular Brigade Combat Team (BCT). The modular BCT is unique because it is versatile enough to adapt and transform into an Advise and Assist Brigade (AAB) during stability operations. The BCT accomplishes this transformation by integrating critical enabling capabilities such as Civil Affairs (CA) and others into its organizational structure. Yet, the transformation into BCT modularity is still not enough to adequately deal with the economic challenges faced during stability operations. This is because many of the enabling capabilities that help transform the BCT into an AAB during OIF and OEF have not been institutionalized into the Army's force structure to the level necessary to provide a sustainable solution.

This monograph will attempt to bring resolution to some of these issues. It will examine why economic development is essential to our nation's strategies and what economic theories could provide guidance for future Army operations. It will then examine proven techniques and

procedures that are currently being employed throughout the world to facilitate economic development and promote stability. This monograph will then examine, in more depth, the effectiveness of the whole of government approach and areas in which the Army can provide assistance. It will then examine areas in which the Army is lacking the necessary economic expertise and capabilities to facilitate economic growth and then provide manning, training, and force structure recommendations. In addressing these areas, this monograph will also examine the impacts, if any; that result from the development of an expeditionary economic capability will have on the operational force and its deployment cycles.

The Mandate for Economic Development Capability

Economic development, along with security and diplomacy, is one of the three pillars of a successful counterinsurgency or stability and support strategy.¹⁴ Every level of the U.S. federal government recognizes economic development capabilities and expertise as a key planning component to reduce both global instabilities and to prevent regional and global insurgencies. From the national strategy to the departmental strategies, economic development expertise is an enabling capability that not only aids in the establishment of long-term security, but also assists in defeating potential terrorist organizations. In his *2010 National Security Strategy* (NSS), President Barack Obama codifies this premise by providing the strategic underpinnings for the establishment of an economic development capability for the U.S. government. The NSS, provides executive agencies with guidance to create budgets and develop capabilities that pursue the U.S. national objectives through the employment of its national instruments of power.¹⁵ This national strategy states that the federal government must create and maintain development capabilities that “prevent conflict, spur economic growth, strengthen weak and failing states, lift people out of poverty . . . and strengthen institutions of democratic governance.”¹⁶ It places development capabilities as a strategic, economic, and moral imperative that “can strengthen the regional partners we need to help us stop conflicts and counter global criminal networks . . . and

¹⁴ Keith Mines, “E-Notes: Economic tools in Counterinsurgency and Postconflict Stabilizations: Lessons Learned (and Relearned) in al Anbar, Iraq, 2003-04,” Foreign Policy Research Institute, <http://www.fpri.org/enotes/20060928.military.mines.economictoolscounterinsurgency.html> (accessed September 17, 2010).

¹⁵ The Department of Defense categorizes the national instruments of power into four areas: diplomatic, information, military, and economic.

¹⁶ Office of the President of the United States, *The National Security Strategy of the United States of America* (Washington, D.C.: Government Printing Office, 2010), 15.

position ourselves to better address key global challenges by growing the ranks of prosperous, capable, and democratic states that can be our partners in the decades ahead.”¹⁷

The *National Defense Strategy* (NDS) serves as DoD’s capstone strategy document. It provides guidance to the military for the development of global contingency plans as well as direction on how to best man, train and equip the Armed Forces to fight and win the nation’s wars.¹⁸ Like the NSS, the NDS postulates that the DoD will continue to participate in a protracted war against violent extremism for the foreseeable future. These types of conflicts will require the DoD to employ the military instrument of power skillfully to establish security while using the diplomatic, economic, and information instruments of power to achieve long-term success.¹⁹ While this assertion is based on an uncertain future, it is grounded by the DoD’s experiences in Iraq and Afghanistan where it has executed several non-traditional military tasks of long-term reconstruction, development, and governance. While the DoD recognizes and encourages other federal agencies to develop expeditionary capabilities to support these missions, the NDS calls for the U.S. Armed Forces “to institutionalize and retain these capabilities.”²⁰

In addition to the NDS, the DoD issued a directive in September 2009 that further solidified the requirement for an economic development capability within the military. Department of Defense Instruction 3000.05 ordered the department to make stability operations a core competency of the Armed Forces. For that reason, stability operations and conventional combat operations are co-equals with respect to planning, staffing, training, and equipping. The purpose of this policy directive is to ensure that the military is prepared to conduct future stability operations in all phases of conflict and across the range of military operations, to include both

¹⁷ Ibid, 15.

¹⁸ Department of Defense, *National Defense Strategy* (Washington, DC: Government Printing Office, 2008), 1.

¹⁹ Ibid, 7-8.

²⁰ Ibid, 17.

combat and non-combat environments. It supports the fielding of capabilities “aimed not only at rebuilding infrastructure, developing local governance structures, and fostering security, but also in fostering economic stability and development and building of indigenous capability for such tasks.”²¹ In supporting this requirement, the instruction directs the DoD to “revive or build the private sector, including encouraging citizen-driven, bottom-up economic activity and constructing necessary infrastructure.”²²

The call for the creation of an economic development capability later matured with the publication of the *2010 Quadrennial Defense Review* (QDR) in February 2010. The 2010 QDR identified the increase of counterinsurgency, stability operations, and counterterrorism competency in the general-purpose force, or conventional Army, as one of its six key initiatives.²³ In pursuing this initiative, the 2010 QDR recommended the growth of Army Civil Affairs forces to serve as the vanguard for the DoD in supporting the federal government’s efforts to assist partner governments in the field of economic stability as well as other stabilization and support activities.²⁴

Finally, the *2009 Capstone Concept for Joint Operations* (CCJO), which is the Chairman of the Joint Chiefs of Staff’s guidance for joint force development and employment, directs the joint force to optimize across nine domains; one of which is to improve the ability to operate in urban environments. In identifying urban conflicts as a common environment of future conflict,

²¹ Department of Defense, Department of Defense Instruction 3000.05 (Washington, D.C.: U.S. Department of Defense, 2009), 2-3.

²² Ibid, 1.

²³ Department of Defense, *Quadrennial Defense Review Report* (Washington, DC: Government Printing Office, 2010), 24.

²⁴ Ibid, 24.

the CCJO articulates the requirement of the joint force to conduct economic engagement activities in support of reconstruction or development activities.²⁵

When the U.S. military occupies an operational area, both the NDS to the CCJO clearly state that it must be prepared to handle the economic development and stability activities that derive from stability operations. According to *Joint Publication 3-07.3: Peace Operations*, these activities include “restoring employment opportunities, initiating market reform, mobilizing domestic and foreign investment, supervising monetary reform, and rebuilding public structures.”²⁶ In examining these requirements, the Army commissioned a study in 2010 to identify the types of tasks and challenges it could face when executing these economic stabilization activities. Table 1 lists the tasks, definitions, and respective subtasks.

²⁵ Joint Staff, *Capstone Concept for Joint Operations* [Version 3.0] (Washington, D.C.: Government Printing Office, 2009), 32-33.

²⁶ Joint Staff, *Joint Publication 3-07.3: Peace Operations* (Washington, D.C.: Government Printing Office, 2007), IV-9.

Table 1. Economic Development Tasks for Stability Operations

DoD Major Mission Element - Support Economic Development		
Essential Task	Working Definition	Subtasks
Generate Employment	The ability to design, fund, and implement public work initiatives, to stimulate micro and small enterprise and foster workforce development programs that will rapidly provide employment for the indigenous population	<ul style="list-style-type: none"> Public works jobs Micro and small enterprise stimulation Skills training Counseling
Develop Monetary Policy	The ability to develop mechanisms and institutions, including the ability to set and control interest rates that allow the government to manage the economy by expanding or contracting the money supply	<ul style="list-style-type: none"> Central bank operations Macroeconomic policy and exchange rates Monetary audit Monetary statistics
Develop and Apply Fiscal Policy and Governance	The ability to develop and apply sustainable, efficient, and transparent fiscal policies that can generate the resources required to sustain key public functions. This includes the ability to establish revenue and expenditure structures and to manage the economy through the expansion and contraction of government spending and to design and administer public expenditure systems that are transparent and which lend themselves to the equitable and timely formulation of budgets and which can plan for the needs of the entire population	<ul style="list-style-type: none"> Fiscal and macroeconomic policy Treasury operations Budget Public sector investment Revenue generation Tax administration Customs reform Enforcement Tax policy Fiscal audit
Promote General Economic Policies	None	<ul style="list-style-type: none"> Strategy/assessment Prices and subsidies International financial assistance -- donor coordination Public sector institutions
Establish, Develop, Regulate, and Sustain a Well-Functioning and Equitable Financial Sector	The ability to establish, develop, regulate, and sustain a well-functioning and equitable financial sector	<ul style="list-style-type: none"> Banking operations Banking regulations and oversight Banking law Bank lending Asset and money laundering Non-banking sector Stock and commodity markets
Manage and Control Both Foreign and Domestic Borrowing and Debt	The ability to manage and control both foreign and domestic borrowing and debt	<ul style="list-style-type: none"> Debt management Arrears clearance
Develop Trade	The ability to establish, develop, sustain, and enforce trade policies, laws, regulations, and administrative practices that support	<ul style="list-style-type: none"> Trade structure Trade facilitation
Promote a Market Economy	The ability to support the establishment or re-establishment of a functioning market economy	<ul style="list-style-type: none"> Private sector development Small and micro-enterprise regime Privatization Natural resources and environment
Promote Legal and Regulatory Reform	The ability to support the development of a legal and regulatory framework supportive of a market economy	<ul style="list-style-type: none"> Property rights Business/commercial law Labor Economic legal reform Competition policy Public utilities and resources regulation Economic enforcement and anti-corruption
Promote Agricultural Development	The ability to support the establishment or re-establishment of a viable agricultural sector capable of long-term growth	<ul style="list-style-type: none"> Agricultural land and livestock Agricultural inputs Agricultural policy and financing Agricultural distribution
Establish a Social Safety Net	The ability to support the establishment of social safety net programs	<ul style="list-style-type: none"> Pension system Social entitlement funds Women's issues

Source: Author Created based on data from Jefferson P. Marquis, *Developing an Army Strategy for Building Partner Capacity for Stability Operations* (Arlington, Virginia: RAND Corporation, 2010), 154-156.

When the military approaches these economic stabilization and development tasks, it is important that it does so using accepted economic theory. Although there are several economic theories that could be used based on their specific mission and the environment in which the Army is operating within, this monograph will examine two of the more influential theories: Classical and Keynesian economic theory. Understanding these two theories is important for two reasons. First, it provides the foundation for understanding how the U.S. Army can approach economic development at the local level as well as possible ramifications that could emerge from such activities. Second, these theories can serve as a cornerstone or theoretical foundation for providing informed recommendations to the host nation or to the Department of State that may render long-term ramifications for the host nations stability, security and overall economic viability during Phase IV operations.

Foundational Economic Theory

Classic economic theory was developed in 1776 by Adam Smith with the publication of the *Wealth of Nations* and is considered the first recognized theory on economics. In the *Wealth of Nations*, Smith denounced the mercantilist practices of his time, which encouraged the government's obtaining wealth at the expense of its population in order for it to project military or political power. He fundamentally disagreed with the mercantilist approach that encouraged the population to buy only domestically produced goods, set price and maximum wage laws, predetermined the society's production specialties, and directed the professions of its population. Smith believed that such government policies were inefficient and limited the nation's true production capability.²⁷ Instead, he believed that the population as a whole, and not the government, was wise enough to plan the economic affairs of the nation. This concept was rooted in the faith that the production capability of the nation resided in its population and could be harnessed through laissez-faire capitalism, or with little government intervention.²⁸ He thought that the role of the government should be limited to three roles: defense, justice, and public works. Defense is a necessary role of the government to provide the required security and defense to protect its people and their property in order for free trade and commerce to flourish. Justice, or a legal system, is required to regulate contracts and arbitrate commercial disagreements. Finally, public works are necessary to provide public goods such as roads, bridges, and post offices as well as issuing a common currency, enforcing property rights and education that further the overall well-being of the society.²⁹

²⁷ Gerald P. Driscoll, *Adam Smith and Modern Political Economy: Bicentennial Essays on the Wealth of Nations* (Ames: Iowa State University Press, 1979), 5.

²⁸ Ibid, 5.

²⁹ D.P. O'Brien, *Classical Economists* (Oxford: Oxford University Press, 1975), 32.

Smith and other classical economists such as David Ricardo, Thomas Malthus, and John Stuart Mill favor laissez-faire economics because it eliminates special privileges, arbitrary restrictions, and ineffective use of resources that limit the growth of an economy.³⁰ By eliminating government sponsored monopolies or other economic hindrances in favor of individual economic freedoms, these economists believe the economy and the nation as a whole is more apt to flourish. By leveling the economic playing field, individuals have the opportunity to prosper over their previous generations by allowing them to maximize their profits by specializing in production and exploiting comparative advantages in the marketplace. The effects from these limitations on government policy would, over time, result in a more effective and efficient allocation of the nation's finite resources.³¹

Classical economic theory represents a supply side model by proclaiming that the overall economic well-being of a country is directly proportional to how fast demand for labor increases over time.³² It considers the price of goods, cost of labor, and interest rates as fixed or constant at the existing market price in the short-term, and argues they are flexible or capable of going up or down, in the long-term.³³ Classical economists contend that the economy is based on a self-correcting mechanism, referred to as the “invisible hand”, which pushes prices, labor costs, and interest rates towards its “natural” or equilibrium point in the long-term. Because of the influence of the invisible hand, any unemployment that may arise from higher labor costs is temporary and

³⁰ Gerald P. Driscoll, *Adam Smith and Modern Political Economy: Bicentennial Essays on the Wealth of Nations* (Ames: Iowa State University Press, 1979), 5.

³¹ Ibid, 24.

³² Ibid, 12.

³³ Ibid, 10.

will be eliminated as the cost of labor drops in response to lower costing labor in the marketplace.³⁴

Say's Law, which states supply constitutes or creates its own demand, is a critical component of classical economic theory. Say's Law maintains that the total supply of goods and services will always equal the total demand for goods and services. This means that the production for goods only occurs if people receive satisfaction from that good and are willing to pay for it, thus creating its own demand.³⁵ Similarly, this assertion also contends that any excess or shortages of total supply or demand of a good is eliminated as its price decreases or increases over time.³⁶

Finally, classical economists maintain that the level of a country's money supply is neutral to its economic prosperity. If there is excess money on the market, prices increase proportionally. In the end, the country's total output or its employment rates do not change because of the rise in prices. Classical economists also say that economic growth is determined by the relationship between savings and capital investment. Savings, or any excess purchasing power that is not spent on consumption, will support capital development by creating demand for capital investment by affecting the market's interest rates. When there is excess capital due to "over saving", interest rates, which serves to equalize savings and capital investment, will decline. As interest rates decline, it will encourage more capital investment. If, on the other hand, there is "over investment" interest rates will increase and restrict further expansion of production opportunities by firms by making it more costly to acquire the necessary capital. These counter-balancing weights serve as a self-correcting system for interest rates which results in a long-term

³⁴ Sayali Bedekar Patil, "Classical Economics vs. Keynesian Economics," Buzzle Web Portal: Intelligent Life on the Web, <http://www.buzzle.com/articles/classical-economics-vs-keynesian-economics.html> (accessed December 7, 2010).

³⁵ Harlan M. Smith, *Understanding Economics* (Armonk, N.Y.: M.E. Sharpe, 1999), 110.

³⁶ *Ibid*, 110.

“natural” interest rate for the market. Based on this explanation, it is understandable why classic economists argue that in economic downturns, countries should choke off potential depression by increasing saving, reducing their debts, reducing government expenditures, balancing their budgets, and reducing wages to achieve economic growth.³⁷

While Classical Economic theory provides some important insights into how to approach economic development, another theory rose to prominence because of the Great Depression. In 1936, John Maynard Keynes challenged classical economic theory with the publication of *The General Theory of Employment, Interest, and Money*. In the publication of his book, Keynes challenged nearly all of the basic principles of classical economics, which believed that the economy would automatically adjust itself to maximize a society’s output and employment. Keynes argued that insufficient demand was the main obstacle to economic growth, which directly contradicted the classical economic notion that insufficient supply was the culprit. To establish sufficient demand in unstable times, Keynes argued that the government must play a central role in keeping the economy going to allow private enterprises to survive.³⁸

Unemployment was a central point of contention between Keynes and his classical economist peers. Whereas classical theorists consider unemployment as temporary and to some extent, voluntary, Keynesian theorists are concerned with the problem of involuntary unemployment. In examining unemployment, Keynes understood that there were three major types of unemployment present in all economies: structural, frictional, and cyclical.³⁹ Structural unemployment occurs when the main industry of the nation cannot support the entire workforce. Frictional unemployment occurs when workers move from their current job to another or into a new industry. Finally, cyclical unemployment, or depression related unemployment, occurs when

³⁷ Anatol Murad, *What Keynes Means: A Critical Clarification of the Economic Theories of John Maynard* (New York: Bookman Associates, 1962), 184.

³⁸ Ibid, 17.

³⁹ Ibid, 21.

the economy goes through a cyclical downturn. Cyclical unemployment was Keynes' primary focus in his *General Theory*.⁴⁰

At the center of Keynes' argument was uncertainty. He believed that uncertainty "loosens all of the 'tight' relationships assumed by classical theory which produce a smooth flow of demand and supply and validate Say's Law."⁴¹ Keynes argued that capital investment only occurs when there are high expectations that the investment will grow. When the market is in decline, uncertainty increases, consumption will naturally decline, and savings will increase. Yet, unlike the classical theorists who argue the increase in savings will result in higher capital investments as interest rates decline, Keynesian economists argue that people will forgo investing because they are uncertain that their investment will provide a positive return. This unwillingness to invest and consume, known as a "paradox of thrift", will push the economy further into a depression, create higher unemployment, and leave the economy worse off.⁴²

To counterbalance the paradox of thrift, Keynesian economic theory argues that the government must act to offset market declines with increased deficit spending. Keynes argues in the short-term, total supply is constant and the volume of output, employment, and income is reliant on total demand.⁴³ Therefore, the government should focus on increasing total demand by increasing governmental expenditures to stimulate consumption and create an environment that is favorable to capital investment. By instituting these policies, the government is able to stabilize the economy through its fiscal policies. It is able to restrict rapid economic growth when the economy is strong by restricting demand for goods through taxation and it is able to promote economic growth when the economy is weak by borrowing and spending on government projects.

⁴⁰ Ibid, 21.

⁴¹ Robert Skidelsky, *Keynes: The Return of the Master* (New York: PublicAffairs, 2009), 120.

⁴² Anatol Murad, *What Keynes Means: A Critical Clarification of the Economic Theories of John Maynard* (New York: Bookman Associates, 1962), 171-172.

⁴³ Ibid, 27.

This explains why Keynesian economists argue that in economic downturns the government should increase spending, increase debts, increase government expenditures, and unbalance the government's budget.⁴⁴

While neither classical or Keynesian economics provide a one size fits all solution for conducting economic development, they both provide some useful insights for how the Army can use or recommend the implementation of various parts of these theories to help stabilize a country's economy and prevent further conflict. For instance, the Army can recommend a policy, based on its local observations and assessments, to increase governmental spending to create short-term demand for a particular good or service that is essential to the maturing of the economy. Whether the good is private or public, stimulation of demand as argued by Keynes may restart the country's economy in the uncertain environment created in Phase IV operations by promoting the necessary investment in firms, even if it is for a short period. In contrast, the Army can help ensure the long-term viability of the country by recommending or imposing a classical economic model. By assisting the local population to establish a diverse supply of goods that are desired by the population through the infusion of investment capital, long-term economic stability can occur by creating demand for goods that are desired by the population. In pursuing this mode, the Army could help identify entrepreneurs and provide them with the necessary expertise and funding to begin the path of long-term economic growth. Yet, to accomplish these goals, there have to be certain conditions that must be set for these theories to work effectively in the long-run.

⁴⁴ Ibid, 187.

Conditions for Implementation

The three primary conditions that must be present for any economic stabilization or development strategy to succeed are security, good governance, and the rule of law. Security is the most important condition in stability operations because it serves as the foundation for all other areas of stabilization such as governance, civil control, infrastructure development, and economic development to succeed. If individuals and the collective population feel that they are threatened, they are less likely to allow comprehensive reform to occur.⁴⁵ Furthermore, a threatening environment creates uncertainty, which will discourage the population from returning to their everyday activities. Uncertainty will also compound the economic decline of the country, as Keynes argues, because people will not consume goods or invest in businesses at a level, which they otherwise would. To accomplish a safe and secure environment, large scale-violence has to cease, public order has to be restored, illegal armed groups have to be disarmed, physical security has to be instituted, and territorial security has to be established.⁴⁶

The second condition that is essential for any level of long-term stability to occur is good governance. In 1998, Kofi-Annan, the former United Nations Secretary General stated, “good governance is perhaps the single most important factor in eradicating poverty and promoting development.”⁴⁷ While the definition of good governance is broad and can be interpreted in many ways, the G-8 in 2001 identified six key components of good governance as being:

⁴⁵ Headquarters, Department of the Army, *Field Manual 3-07 Stability Operations*, (Washington, D.C.: Government Printing Office, 2008), 4-8.

⁴⁶ United States Institute of Peace and U.S. Peacekeeping and Stability Operations Institute, *Guiding Principles for Stabilization and Reconstruction* (Washington, D.C.: United States Institute of Peace Press, 2009), 6-38-6-39.

⁴⁷ United Nations Development Program (UNDP), *Human Development Report 2002* (New York: Oxford University Press, USA, 2002), 51.

“(1) Accountability and transparency in the public sector, (2) legal frameworks and corporate governance regimes to fight corruption, (3) safeguards against the misappropriation of public funds and their diversion into non-productive uses, (4) access to legal systems for all citizens, independence of the judiciary, and legal provisions enabling private sector activity, (5) active involvement of civil society and non-governmental organizations (NGOs), and (6) freedom of economic activities.”⁴⁸

Together, security and good governance serve as the foundation for economic development in stability operations because they provide the necessary elements for the rule of law to occur. Rule of law is a state in which “all individuals and institutions, public and private, and the state itself are held accountable to the law, which is supreme.”⁴⁹ Rule of law is a necessary component for economic recovery and prosperity because it provides a systematic and legitimate way of ensuring freedom of movement to access public services such as education and health and ensures the safety and security of individuals, families, businesses and property.⁵⁰

While security, good governance, and the rule of law are the critical conditions for laying the foundation for economic development to come to fruition, Carl Shramm, the President of the Kauffman Foundation, argues that there are three additional requirements that help create long-term stability through economic development. The first is the existence of a financial system that is capable of providing capital funding to entities trying to start a business. The second element is government policies that avoid “rent seeking” or charging entities a fee or bribe in order to establish a business. Finally, the third element is government policies, which encourage entrepreneurial activity through the provision of government incentives for local businesses to

⁴⁸ “UT G8 Info. Centre. Genoa Summit 2001. COMMUNIQUÉ.” G8 Information Centre. <http://www.g8.utoronto.ca/summit/2001genoa/finalcommunique.html> (accessed December 7, 2010).

⁴⁹ United States Institute of Peace and U.S. Peacekeeping and Stability Operations Institute, *Guiding Principles for Stabilization and Reconstruction* (Washington, D.C.: United States Institute of Peace Press, 2009), 7-0.

⁵⁰ Ibid, 7-65.

innovate, adapt, and ultimately grow.⁵¹ These are all areas that the U.S. military can affect when deployed in support of a stability operation.

Finally, economic development policies and regulations must always consider the cultural norms of the host nation. Consideration of cultural norms is critical because without it, the military will never achieve the intended effect of the policy it is pursuing. According to Professors Steven Cornell of the University of Arizona and Joseph P. Kalt of Harvard University, any economic development policy must be adequate and appropriate in that it must adequately address the realities of the economic situation while being sensitive to the cultural norms of the society.⁵² During their research on American Indian economic development challenges, they discovered that:

[E]conomic development can take hold in the face of a wide range of cultural attitudes on such matters as the sanctity of natural resources or the propriety of individuals trying to make themselves wealthier. However, unless there is a fit between the culture of the community and the structure and powers of its governing institutions, those institutions may be seen as illegitimate, their ability to regulate and organize the development process will be undermined, and development will be blocked. Without a match between culture and governing institutions, tribal government cannot consistently do its basic job: creating and sustaining the "rules of the game" that development in any society requires.⁵³

While their the research focused primarily on American Indian economic development issues, their findings are relevant to any of the stability operations that the U.S. Army has conducted in the past and will continue to conduct in the future.

⁵¹ William J. Baumol, Robert E. Litan and Carl J. Schramm, *Good Capitalism, Bad Capitalism, and the Economics of Growth and Prosperity* (New Haven: Yale University Press, 2009), 7-8.

⁵² Stephen Cornell and Joseph P. Kalt. "Reloading the Dice: Improving the Chances for Economic Development on American Indian Reservations." (Los Angeles: American Indian Studies Center, UCLA.1992), 46.

⁵³ Ibid, 46.

What Has the United States Done So Far?

In 2005, President George W. Bush signed Presidential Directive 44. The purpose of Presidential Directive 44 was to “promote the security of the United States through improved coordination, planning, and implementation and stabilization assistance for foreign states and regions at risk of, in, or in transition from conflict or civil strife.”⁵⁴ It directed the Department of State to coordinate, integrate, and lead the U.S. Government’s efforts to prepare, plan for, and conduct stabilization and reconstruction activities and to ensure “harmonization” with military operations across the spectrum of conflict.⁵⁵ This directive also solidified the role of the S/CRS created in June 2004 to coordinate and synchronize the U.S. government’s civilian response to reconstruction and stabilization efforts.

The S/CRS is a unique governmental organization that is intended to serve as the “hub” for the “whole of government” approach to stability and reconstruction operations. It is charged with forming a readily responsive Civil Response Corps that is globally deployable. The 4,250 member Civilian Response Corps will contain three distinct groups once it is fully formed: the Active, Standby and Reserve. The Active group will consist of 250 personnel who would be ready to deploy globally within 48-hours in support of a stability operation. The Standby group will consist of 2,000 federal employees and will be available to deploy within 30-days of a large crisis occurring for periods of 90 to 180 days.⁵⁶ The Reserve group, which is yet to be pursued, consists of 2,000 non-federal employees who would enlist for a year deployment during their four-year enlistment. By July 2010, the Civilian Response Corps had 100 Active and 900 Standby

⁵⁴ Office of the President of the United States, National Security Presidential Directive/NSPD-44 (Washington, D.C.: The White House, 2005), 1.

⁵⁵ Ibid, 2.

⁵⁶ United States Department of State, “Standby Component Opportunities,” U.S. Department of State. <http://www.crs.state.gov/index.cfm?fuseaction=public.display&shortcut=4FPI> (accessed December 7, 2010).

members and had deployed to twenty-eight countries to conduct assessments and conflict prevention focused primarily on the national or strategic level issues.⁵⁷ It also started planning for a “whole of government” approach in future contingency operation by participating in strategic level exercises with the Geographic Combatant Commands. An example of this was S/CRS’ participation in U.S. Africa Command's (USAFRICOM) civilian-military exercise *Judicious Response 2010/2011*. During this exercise, S/CRS worked with USAFRICOM to identify ways in which the military could support the Civilian Response Corps on the African continent.⁵⁸

While the Civilian Response Corps is a great idea to coordinate an overall “whole of government” approach for stability operations, there are three major concerns about its ability to execute its mission given its current resourcing. The first concern is its ability to deploy an adequate amount of personnel to conduct stabilization operations properly based its current 4,250-person structure authorization. If a contingency or group of contingencies lasting a year or more occurred, the Civilian Response Corps could only mobilize and deploy approximately 1,750 members from all three manning groups on a sustained basis.⁵⁹ This equates to a little more than one U.S. Army CA Brigade to coordinate all stability and reconstruction activities for the U.S. government.⁶⁰ This could prove to be greatly inadequate if the Civilian Response Corps is required to solely coordinate and conduct large-scale contingencies similar to those in Iraq and

⁵⁷ United States Department of State, "Secretary Clinton Announces Civilian Response Corps Reaches 1,000 Members at Its Two-Year Anniversary Mark," U.S. Department of State. <http://www.state.gov/video/?videoid=114750580001> (accessed December 7, 2010).

⁵⁸ Matt Treadgold, “Fit to Exercise: S/CRS and AFRICOM's Judicious Response Exercise,” *Civilian Response* no. 11 (Summer 2010): 24.

⁵⁹ The 1,750 deployable personnel figure based on a contingency that is longer than one year and that the Civil Response Corps is fully available; meaning all three groups are fully manned. It is calculated using 250 members of the Active Group, 1,000 members of the Stand-by Group deployed for 180-days, and 500 members of the Reserve Group deployed for one year out of their four-year contract.

⁶⁰ Department of the Army, G-3 Force Management Memorandum “Organizational Design Paper for Active Army Conventional Forces CA Brigade (Washington, D.C., February 22, 2010), 4. The current force structure design for the 96th Civil Affairs Brigade (General Purpose Force) 1,431 personnel. This equates to one Civil Affairs Brigade headquarters, five Civil Affairs Battalions, and thirty Civil Affairs Companies.

Afghanistan as well as other ongoing responses. Tackling these types of missions with their limited personnel availability could result in the Civilian Response Corps adopting the U.S. Agency for International Development's (USAID) model, which relies heavily on contractors to supplement their mission. This is dangerous because it could in essence morph the Civilian Response Corps into a "contracting" and "oversight" agency rather than an agency that brings critical knowledge and expertise to stabilization operations.

The second area concerns the Civil Response Corps' ability to respond rapidly to a situation based on its logistics capability. Because it lacks the robust logistical and security capability necessary to support its operations, it is clear that the Civilian Response Corps will likely not be as responsive as the military, particularly in austere environments that have uncertain or hostile populations. As a result, it is unlikely that the Civilian Response Corps will serve as the first responder to those global emergencies, which would leave an operational gap for the military to fill.⁶¹

The final area of concern revolves around the willingness of civilian personnel to deploy to unstable areas. While the 2007 Iraq example provided earlier in this monograph highlights this concern, there has been little to no movement by the federal government to rectify this issue. While there are penalties such as the repayment for any education and expenses the member incurred during their training as part of the Civil Response Corps, unlike the military, there is no way to compel someone to deploy into a less than stable location.⁶² Furthermore, once the civilian is deployed, it is hard to ensure that they will leave the security of their bases to execute their jobs responsibilities if security declines. In Iraq for example, "in particularly dangerous areas, civilian

⁶¹ Robert Hoekstra, "Adjusting to Stabilization and Reconstruction Operations," *PRISM* 1, no. 2 (March 2010): 23.

⁶² United States Department of State, "Reserve Component, Civilian Response Corps," U.S. Department of State, <http://www.crs.state.gov/index.cfm?fuseaction=public.display&shortcut=4B5C> (accessed December 7, 2010).

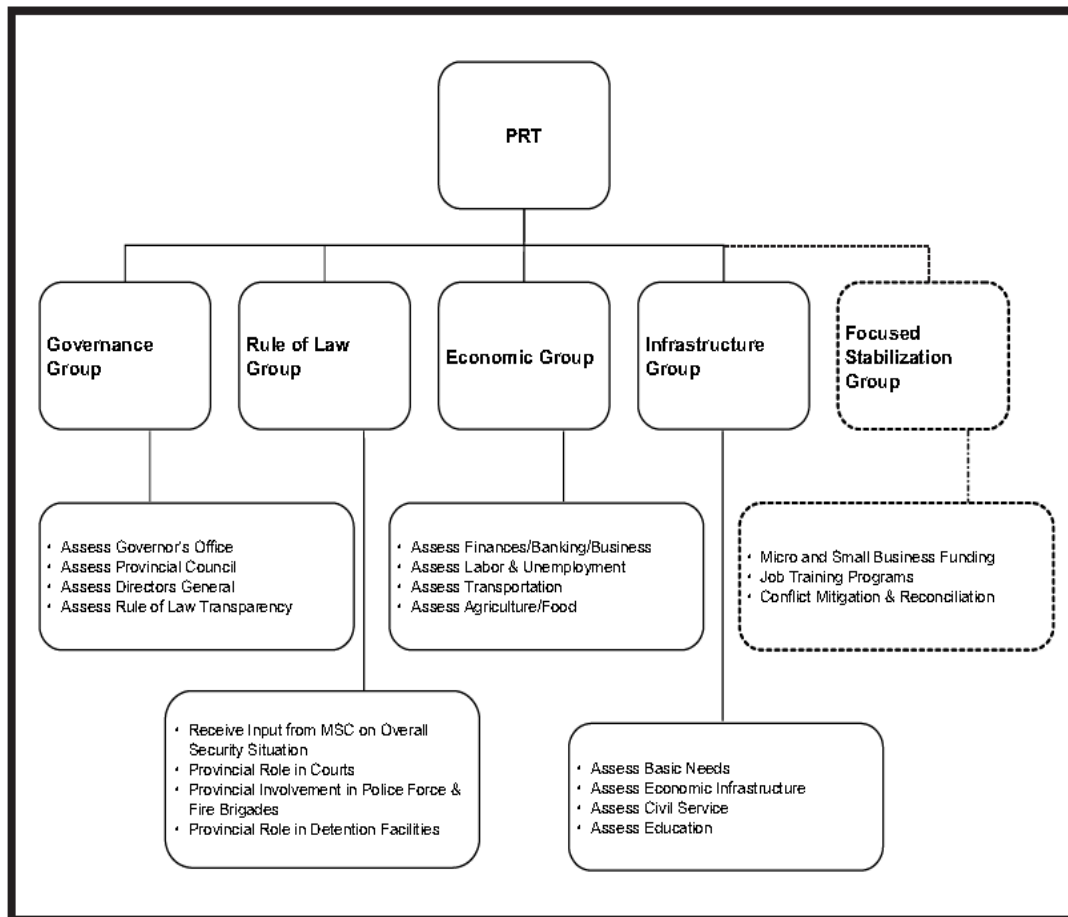
officials [would] frequently not leave military compounds for weeks or even months . . . [were] therefore almost completely ignorant of their surroundings, and rel[ied] heavily on the military or intelligence agencies for information on local events.”⁶³ While some of the operational policy restrictions placed on civilians by their agencies exacerbate these shortfalls, the lack of in-depth security and response training and supporting capabilities also serve as a major contributive factor inhibiting success.

Another area where the U.S. has taken considerable efforts to increase its ability to conduct economic development in stability operations is the Provincial Reconstruction Team (PRT). Created in 2002 to support Operation Enduring Freedom in Afghanistan, the PRT is an organization that has membership from the Department of State, Department of Defense, and other federal agencies such as the Departments of Agriculture and Justice. The PRT assists in coordinating the efforts of these different agencies to address the regional reconstruction efforts in both Afghanistan and Iraq at the provincial level. They assist in the development of “a transparent and sustained capability to govern, promoting increased security and rule of law, promoting political and economic development and providing provincial administration necessary to meet the basic needs of the population”.⁶⁴ Figure 1, outlines the recommended organization of the PRT.

⁶³ Edward Burke, “Leaving the Civilians Behind: The ‘Soldier-diplomat’ in Afghanistan and Iraq,” *Prism* 1, no. 2 (March 2010): 35.

⁶⁴ U.S. Embassy Iraq, “PRT (Provincial Reconstruction Team) Fact Sheet 2008,” (March 2008).

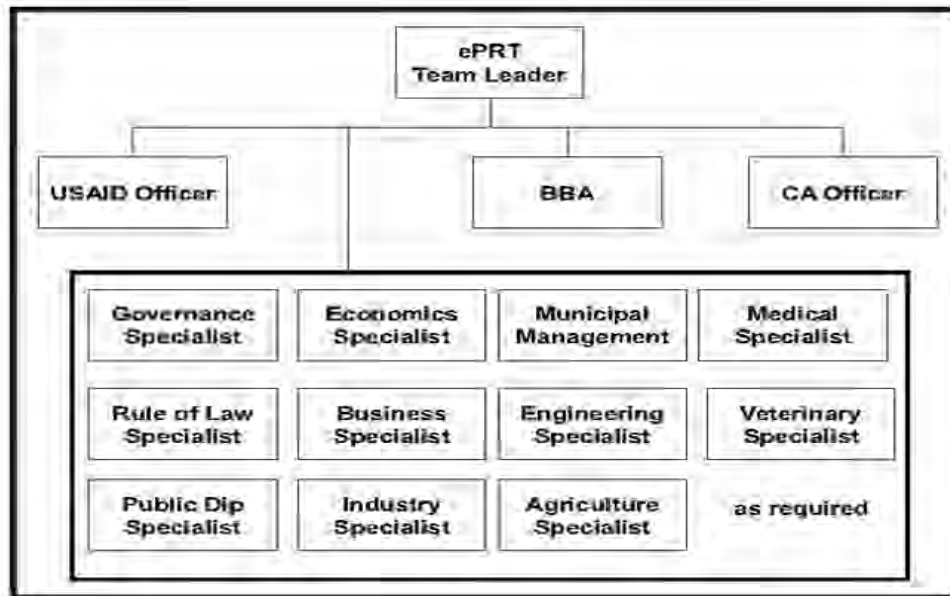
Figure 1. Recommended Organization of a Provincial Reconstruction Team



Source: U.S. Army Combined Arms Center, "Provincial Reconstruction Teams: Tactics Techniques and Procedures" *Center for Army Lessons Learned Playbook* (2007), 69.

To support reconstruction efforts below the provincial level and to assist the BCT, the concept of the Embedded Provincial Reconstruction Teams (ePRT) was developed in 2008. The ePRT concept provides the Brigade Commander with eight to twelve additional Department of State contractors and financial resources that can focus solely on the reconstruction and development efforts in his area of responsibility. In addition to its civilian membership, the ePRT also has a CA Officer to help coordinate the localized stability and development efforts.

Figure 2. Embedded Provincial Reconstruction Team Organization



Source: U.S. Army Combined Arms Center, “Provincial Reconstruction Teams: Tactics Techniques and Procedures” *Center for Army Lessons Learned Playbook* (2007), 70.

While PRTs have received numerous accolades from the field for assisting in the success in Iraq, some significant concerns remain about their long-term viability. The first concern revolves around the regional and cultural knowledge that a member of a PRT brings, particularly now that the Department of State is beginning to rely more heavily on contractors to fill its personnel requirements. According to a study conducted by the United States Institute of Peace, “many of these contractors did not have previous field experience in the Middle East or had not previously worked on overseas development projects.”⁶⁵ Thus, it typically took time for the ePRTs to understand the culture to a level where it could initiate economic development projects and provide governmental policy recommendations that fit Cornell and Kalt’s standards for being both adequate and appropriate. The second major concern is that the PRT is an ad hoc

⁶⁵ United States Institute of Peace, “Embedded Provincial Reconstruction Teams United States Institute of Peace,” United States Institute of Peace, <http://www.usip.org/publications/embedded-provincial-reconstruction-teams> (accessed December 7, 2010).

organization. The assignment of military officers to fill these crucial positions is often based on their availability and not on any sort of development expertise or educational background, they may have. Additionally, the failure to institutionalize the PRT organization fails to establish effective long-term training programs and exercises similar to those that other institutionalized organizations complete such as rotations at the Army's National Training Center. Finally, the operational availability of civilian experts remains a major concern. Because there is such a heavy reliance on the civilian sector to provide the necessary development expertise, many of the concerns about their willingness to leave the safety and security of their bases remain. The U.S. Marine Corps realized this concern in the summer of 2009 during *Operation Panachai Palang* in Afghanistan when they cited a near total absence of civilian reconstruction experts to support their efforts into Helmand Province, forcing them to shift personnel from other areas to fill this personnel void.⁶⁶

To support the reconstruction efforts in Afghanistan and Iraq, military units and PRTs have access to different funding sources. One of the unique sources is the Commander's Emergency Relief Program (CERP) that the Coalition Provincial Authority in Iraq created in 2003.⁶⁷ The Commander's Emergency Relief program enables "local commanders in Afghanistan and Iraq to respond to a non-lethal weapon to urgent, small-scale, humanitarian relief, and reconstruction projects and serves that immediately assist the indigenous population and the local population or government can sustain."⁶⁸ While CERP was originally intended to be used as a stabilization tool after the U.S. toppled Iraq's Ba'ath Party in 2003 and was funded using seized

⁶⁶ Rajiv Chandrasekaran, "Marines seek foothold in Helmand," *The Financial Times*, (July 8, 2009), 8.

⁶⁷ Donald P. Wright and Timothy R. Reese, *On Point II: Transition to the New Campaign: The United States Army in Operation IRAQI FREEDOM*, May 2003-January 2005 (Fort Leavenworth, KS: Department of the Army, 2008), 519.

⁶⁸ U.S. Army Combined Arms Center, "Commander's Guide to Money as a Weapon System," *Center for Army Lessons Learned Handbook* 09-07 (2009), 13.

assets from the Saddam Hussein regime, it has, over the years, become an integral part of the U.S. approach to funding projects during Phase IV operations in both Iraq and Afghanistan. Since 2003, the United States Congress has appropriated more than \$3.8 billion for CERP funding to support operations in Iraq.⁶⁹ While CERP only equates to approximately seven percent of the \$53.8 billion in total U.S. reconstruction appropriations for Operation Iraqi Freedom, it has forced the DoD to become involved in all aspects of stability operations, to include economic development.⁷⁰ Within the \$3.8 billion appropriated, approximately sixty percent, or \$2.28 billion of the funds spent had direct ramifications on the economic development efforts in Iraq.⁷¹

The purpose of CERP is to allow Army units the ability to conduct small-scale projects that are less than \$500,000 that produce a positive and recognizable impact in a unit's area of responsibility.⁷² Projects funded with CERP should focus on improving local security, restoring essential services, reconstructing infrastructure damaged by combat operations, or conducting economic development in an area. While these areas are generally broad, the DoD has limited CERP expenditures to eighteen primary areas. Table 2 provides a description of those areas, the aggregate amount and associated percentages of CERP fund obligated to each area through July 2010.

⁶⁹ Special Investigator General for Iraqi Reconstruction (SIGR). *Quarterly and Semi-Annual Report to the United States Congress* (Washington D.C.: SIGR, July 2010), 22.

⁷⁰ Ibid, 22.

⁷¹ Ibid, 36.

⁷² U.S. Army Combined Arms Center, "Commander's Guide to Money as a Weapon System," *Center for Army Lessons Learned Handbook* 09-07 (2009), 16.

Table 2. CERP Expenditures through July 2010

Authorized Area	Purpose	Amount of CERP Obligations through July 2010 (millions)	Percentage of CERP Obligations through July 2010
Water and sanitation	Repair or reconstruct water or sewer infrastructure, including water wells.	\$690.2	20.3%
Protective measures	Fences, lights, barrier materials, berms over pipelines, or guard towers. Includes Temporary Contract Guards to guard critical infrastructure.	\$476.8	14.0%
Electricity	Repair or reconstruct electrical power or distribution infrastructure, including generators.	\$381.5	11.2%
Transportation	Repair or reconstruct transportation systems, roads, bridges, or transportation infrastructure.	\$357.2	10.5%
Education	Repair or reconstruct schools, purchase school supplies, or equipment.	\$339.9	10.0%
Civic cleanup activities	Remove trash, clean up the community, or perform beautification.	\$207.5	6.1%
Other humanitarian or reconstruction projects	Repair collateral damage not otherwise payable because of combat exclusions or condolence payments.	\$174.0	5.1%
Economic, financial and management improvements	Improve economic or financial security.	\$137.2	4.0%
Agriculture	Increase agricultural production or cooperative agricultural programs. Includes repair or reconstruction of irrigation systems, including canal cleanup.	\$122.3	3.6%
Rule of law and governance	Repair or reconstruct government buildings such as administration offices, courthouses, or prisons.	\$120.6	3.6%
Healthcare	Repair or reconstruct hospitals or clinics or to provide urgent healthcare services, immunizations, medicine, medical supplies, or equipment.	\$112.6	3.3%
Repair civic and cultural facilities	Repair or restore civic cultural buildings or facilities.	\$104.5	3.1%
Condolence Payments	Compensate for death, injury, or property damage resulting from U.S., coalition, or supporting military operations. Includes Survival payments to compensate surviving spouses or next of kin of Afghan or Iraqi defense or police personnel who were killed as a result of U.S., coalition, or supporting military operations.	\$50.8	1.5%
Battle Damage Repair	Repair damage that results from U.S., coalition, or supporting military operations that is not compensable under the Foreign Claims Act.	\$44.1	1.3%
Telecommunications	Repair or reconstruct telecommunications systems or infrastructure.	\$32.6	1.0%
Civic support vehicles	Purchase or lease vehicles to support civic and community activities.	\$24.6	0.7%
Food production and distribution	Increase food production or distribution processes.	\$17.4	0.5%
Detainee Release Payments	Payments to individuals upon release from detention (only applies to Major Subordinate Commands) non-theater internment facility holding areas).	\$1.4	0.04%

Source: Author Created based on data from Special Investigator General for Iraqi Reconstruction (SIGR), *Quarterly and Semi-Annual Report to the United States Congress* (Washington, D.C.: Government Printing Office, 2010), 39, and U.S. Army Combined Arms Center, “Commander’s Guide to Money as a Weapon System,” *Center for Army Lessons Learned Handbook* 09-07 (2009), 17.

Despite the fact, there are several uses for CERP funds, economic development and reducing unemployment are two central goals for its use. By funding humanitarian relief and assistance projects with CERP funds, the U.S. military is not only providing basic needs to the population, it is helping the host nation avoid the phenomenon Keynes coined as “paradox of thrift.” The military accomplishes this through infrastructure investment and by creating short-

term demand for goods and services needed to support humanitarian relief and assistance efforts. While this approach is critical in the early phases of a post-conflict environment, the U.S. Army should also facilitate long-term economic stability by helping individuals gain access to capital markets. In pursuing this goal, the DoD developed the Micro-Grant Program, which is a variant of micro-financing. Although microfinance is ineffective in resolving conflicts in active war zones, it does play an important role in Phase IV operations. The importance of micro-financing during the transition from conflict is articulated in a 2007 USAID study in which, micro-finance, “in the early phases of post-conflict stabilization and reconstruction can provide an effective means of both providing direct support to some of those most affected by conflict and laying the foundations for building permanent local financial institutions that will serve the poor in the long-term.”⁷³ The purpose of the CERP Micro-Grant Program is to help disadvantaged entrepreneurs who are pursuing small or micro-business activities, which support humanitarian relief or reconstruction efforts. It provides individuals who do not have the necessary capital with access to funding that they otherwise would not be eligible for if they had to apply in the commercial market.⁷⁴

While some consider the micro-grant program as one of the most successful components of CERP, the current program fails to maximize its true long-term potential. This is because it limits access to capital to only those entrepreneurs that provide goods and services to the traditional humanitarian relief and assistance sector. It discounts other viable economic sectors that provide innovative or imitative goods and services that could otherwise thrive if it had the necessary investment capital. The micro-grant program also fails to realize its long-term potential

⁷³ The Louis Berger Group, Inc. and The Services Group, Inc., *Iraq Private Sector Growth and Employment Generation: The Iraq Microfinance Strategy* (Washington, D.C.: United States Agency for International Development, 2007), 2.1.

⁷⁴ United States Forces Afghanistan (USFOR-A). *USAFOR-A Publication 1-06: Money As A Weapon System*. (Kabul, Afghanistan: 2007), 45.

because it relies solely on grants and not on loans or even a mixture of the two. Because there is no repayment of a micro-grant, the U.S. military's long-term, economic development potential essentially stops and relies solely on the success of the business that received the grant. If the business fails, the money is lost. On the other hand, a micro-loan program would allow the long-term development potential to continue growing by continuing the financing of additional small businesses using the money repaid from the initial investment. This ultimately would expand the long-term development potential of the investment. Nobel Laureate Muhammad Yunus demonstrated the success of this type of program when he founded the Grameen Bank in India.

In his use of micro-loans, Yunus established a socially accepted structure that was relatively simple, relied on mutual trust, and was culturally sensitive. First, the structure or terms of Grameen Bank's loans was simple in that they lasted for only one year and borrowers were expected to pay weekly installments that equated to approximately two percent of the total loan starting one week after the loan was issued.⁷⁵ Second, it required that each prospective borrower join a group of like-minded people from similar economic and social backgrounds to create a support network and to make each borrower more reliable through peer pressure. Peer pressure was a key component because it provided incentive for those in the group to repay their loans. If a member of the group failed to pay, future loans to others in the group would be rejected until the original loan was repaid.⁷⁶ This type of organization has resulted in a 97.2 percent repayment rate.⁷⁷ Third, it was culturally sensitive in that it operated within the constraints of Sharia Law which forbids banks from charging borrowers interest. Since each borrower was part of a group

⁷⁵ Muhammad Yunus, *Banker To The Poor: Micro-Lending and the Battle Against World Poverty*, Revised and updated for the paperback edition (London: PublicAffairs, 2008), 68.

⁷⁶ Ibid, 71.

⁷⁷ Grameen Bank, "Grameen Bank At A Glance: September 2010," http://www.grameen-info.org/index.php?option=com_content&task=view&id=26&Itemid=175 (accessed December 7, 2010)

that was formally recognized by the bank, they were viewed as part owners.⁷⁸ Furthermore, because the Grameen Bank established policies that were both culturally acceptable and adequate, the bank eventually grew to serve more than 8.3 million people, ninety-seven percent of which are women, in over 100 countries.⁷⁹

While this monograph is not advocating that the U.S. Army enter into the banking business system, it is arguing for more effective use of CERP funds. Rather than simply using grants, the Army could foster a micro-loan program by helping the host nation establish an organization similar to the Grameen Bank and later provide it with the necessary starting capital. The Center for Agriculture and Rural Development (CARD) in the Philippines serves as a salient example of this type of arrangement. This organization initially faced difficulties finding organizations that could provide for financial sourcing. Yet, once CARD secured financing, the program took off. In less than seven years, ninety-seven percent of CARD borrowers invested in income-generating activities that created on average 163 days of employment for its borrowers and an eighty-four additional days for their family members. It has also resulted in an approximate 36 percent increase in wages over the prevailing local rate.⁸⁰ By approaching economic development in this manner will help to ensure that economic development efforts have a lasting effect.

⁷⁸ Muhammad Yunus, *Banker To The Poor: Micro-Lending and the Battle Against World Poverty*, Revised and updated for the paperback edition (London: PublicAffairs, 2008), 110.

⁷⁹ Grameen Bank, "Grameen Bank At A Glance: September 2010," http://www.grameen-info.org/index.php?option=com_content&task=view&id=26&Itemid=175 (accessed December 7, 2010)

⁸⁰ Muhammad Yunus, *Banker To The Poor: Micro-Lending and the Battle Against World Poverty*, Revised and updated for the paperback edition (London: PublicAffairs, 2008), 160.

Army Support to Stability Operations

In *The Utility of Force: The Art of War in the Modern World*, British General Rupert Smith argues that there is not a generic "military force." Rather, there are components of specialized forces that can be selected for specific purposes.⁸¹ This statement is especially true when it comes to dealing with many of the complex civilian problems a military unit faces in stability operations. In dealing with this problem, some advocates argue that the U.S. Army's force structure should be bifurcated to contain "warfighters and peacekeepers." While this type of approach would resolve many of the tensions within the Army regarding training focus and resourcing, the financial costs of this option and the domestic economic realities of today make this option largely untenable. Rather, adroitly focusing Army units in the Army Force Generation Model (ARFORGEN) as well as comprehensively reforming the Army's organizational structure, doctrine, and education system, to address many of the stability challenges of tomorrow within the current budgetary and force structure allocations.

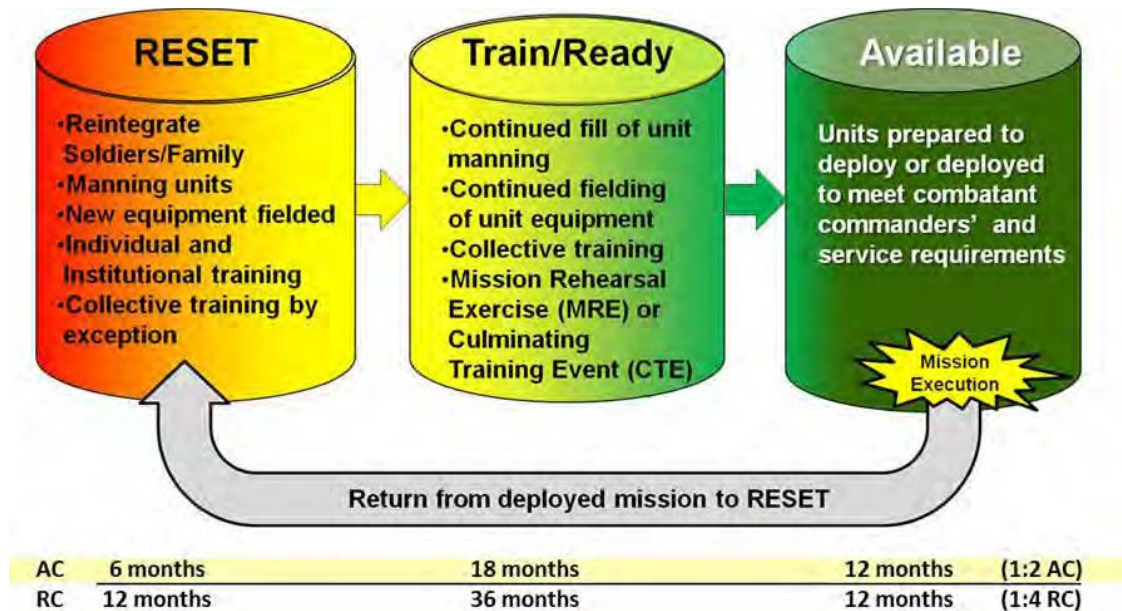
One way that the Army is attempting to approach increasing its effectiveness in stability operations is through the regional alignment of BCTs with each of the five overseas Global Combatant Commands (GCC).⁸² To understand this approach, one has to understand how the Army goes about identifying, training, manning, and equipping its forces using the ARFORGEN model first. The ARFORGEN model is "the structured progression of increased unit readiness over time, resulting in recurring periods of availability of trained, ready, and cohesive units prepared for operational deployment in support of civil authorities and combatant commander

⁸¹ Rupert Smith, *The Utility of Force: The Art of War in the Modern World* (Vintage) (New York: Vintage, 2008), 20.

⁸² United States Forces Command. "National Guard Association of the United States" (presentation at the National Guard Association of the United States conference, U.S. Forces Command, Fort McPherson, GA, August 23, 2010), <http://www.ngaus.org/ngaus/files/ccLibraryFiles/File/000000006899/thurman.pdf> (accessed December 7, 2010).

requirements.”⁸³ The intent of this supply side model is to provide the nation with a continuous and predictable amount of trained and ready forces to deploy in support of global contingencies. In this model, every unit’s life cycle begins in the Reset Pool. When a unit is in this pool, it begins to build its organization through the reception of new personnel and equipment and begins to train on individual tasks. Once the unit receives key personnel and equipment, it moves to the Train/Ready Pool. In this pool, the unit continues to receive personnel and equipment and begins to train on collective tasks that affect the entire unit. The unit remains in the pool until it is proficient for its future mission and completes culminating collective training exercise, validating its readiness to deploy. Once validated, the unit moves into the Available pool where it either deploys or is remains ready in the United States to support a global contingency.

Figure 3. Army Force Generation Model



Source: Headquarters, Department of the Army. *2010 Army Posture Statement*. (Washington, D.C.: Government Printing Office, 2010), F-1.

⁸³ United States Forces Command. “Infantry Warfighting Conference” (presentation at the Infantry Warfighting Conference, U.S. Forces Command, Fort Benning, GA, September 14, 2010), <https://www.benning.army.mil/iwc/2010/...Gen%20Thurman.ppt> (accessed December 7, 2010).

Because the ARFORGEN model is cyclic in nature, the speed that the units move through the model can vary based on the operational demand. It is measured using boots on the ground (BOG) to time at home, or dwell, ratio. For instance, in the 2007, the global demand for BCTs was approximately 27 out of the 72 total BCTs to meet the operational requirements for all global contingencies, to include OIF, OEF, Korea, Horn of Africa missions, etc. Within the total twenty-seven BCT demand, nineteen were from the Active Component (AC). As a result, the AC BCT BOG-to-Dwell ratio was one-to-one.⁸⁴ This meant that for every twelve months deployed, a BCT, on average, would receive approximately twelve months at home. A one-to-one BOG-to-Dwell ratio is highly unsustainable for the protracted conflicts the U.S. is currently operating within for numerous reasons such as unit preparedness, individual stress, and equipment availability. To alleviate the stress on the force, the Secretary of Defense, through the QDR has established goals of a one-to-two BOG-to-Dwell ratio for Active Component units and a one-to-four BOG-to-Dwell ratio for Reserve Component (RC) units.⁸⁵ The Army has increased the time at home by stating in 2010 Army Posture Statement that its goal is to achieve a sustainable BOG-to-Dwell ratio of one-to-three for the AC and a one-to-five BOG-to-Dwell ratio for the RC.⁸⁶

The implementation of regionally aligning BCTs would require identification of the BCT while it was in the Reset pool. In this pool, the BCT could receive unique equipping, manning, and training to either conduct stability operations, security forces assistance, or participate in partnership exercises in each of the GCC's area of responsibility. They will receive mission unique equipment and cultural and language skills that will help ensure the BCT is trained to maximize its effectiveness. Additionally, the BCT regional alignment plan receives further

⁸⁴ Headquarters, Department of the Army. *The Army Strategy 2008*. (Washington, D.C.: Government Printing Office, 2008), 21.

⁸⁵ Department of Defense, *Quadrennial Defense Review Report* (Washington, DC: Government Printing Office, 2010), xii.

⁸⁶ Headquarters, Department of the Army. *2010 Army Posture Statement*. (Washington, D.C.: Government Printing Office, 2010), 13.

enhancement through the re-alignment of a Special Forces Group to each of the GCCs.⁸⁷ While it is apparent that the regional alignment strategy should not be implemented until demand in OIF and OEF is reduced, this type of strategy will greatly enhance the GCC's ability to employ the best led, staffed, and equipped forces in pursuit of their regional strategic objectives.

In his 2007 white paper "Adapting our Aim: A Balanced Army for a Balanced Strategy," the Army Chief of Staff, General George Casey Jr., outlined six defining qualities that will enable the U.S. Army to meet the operational challenges of the twenty-first century: versatile, expeditionary, agile, lethal, sustainable, and interoperable. In outlining these qualities, he states, "versatility is the central organizing principle of a balanced Army, for it is this quality that will enable our forces and institutions to effectively execute operations across the spectrum of conflict."⁸⁸ In pursuit of this goal, the U.S. Army has taken considerable steps in trying to adapt its force structure. Since 2004, the Army has "taken between 175,000 and 200,000 [personnel] spaces away from skills that were very necessary in the Cold War and have converted them into skills that are more relevant today."⁸⁹ This equates to the conversion of approximately 200 tank, air defense, and artillery units to a corresponding number of CA, Psychological Operations, Special Forces, and Engineer units.⁹⁰ Yet, there are several organizational, doctrinal, training, and personnel challenges that continue to impede the Army's forward momentum in fully developing institutionally supported stability capabilities.

⁸⁷ United States Forces Command. "National Guard Association of the United States" (presentation at the National Guard Association of the United States conference, U.S. Forces Command, Fort McPherson, GA, August 23, 2010), <http://www.ngaus.org/ngaus/files/ccLibraryFiles/File/000000006899/thurman.pdf> (accessed December 7, 2010).

⁸⁸ "Adapting our Aim: A Balanced Army for a Balanced Strategy". (Washington, D.C.: United States Army, 2009), 7.

⁸⁹ George Casey Jr., "SITREP on the Army" (lecture presented at the Command and General Staff College, Fort Leavenworth, KS, April 16, 2010), MP3 file, https://courses.leavenworth.army.mil/webapps/portal/frameset.jsp?tab_id=_18_1 (accessed December 7, 2010).

⁹⁰ Ibid

Organization

The majority of the Army's specialized stability and reconstruction capabilities reside within CA because it is responsible for providing the military commander with expertise in areas ranging from foreign humanitarian assistance to on nation assistance and support to civil administration.⁹¹ After the Vietnam War, political and fiscal factors drove former Chief of Staff of the Army General Creighton Abrams to place the majority of the Army's CA capability into the reserve component, where it remains today.⁹² The RC force structure consists of four Civil Affairs Commands (CACOM) that support four of the five overseas GCCs: U.S. European Command (USEUCOM), U.S. Central Command (USCENTCOM), U.S. Southern Command (USSOUTHCOM), and U.S. Pacific Command (USPACOM). The RC also has eight CA Brigades, twenty-eight CA Battalions, and 112 CA Companies. The AC force structure consists of two Brigades. The 95th CA Brigade consists of three battalions and supports U.S. Special Forces Command. The 96th CA Brigade supports the general-purpose force and consists of four battalions to provide some level of regional alignment, similar to the CACOMs. In addition to these two AC CA Brigades, the Army recently decided to build the 86th CA Brigade to support the general-purpose force. While superficially this force structure appears adequate, there are several areas, which, if adjusted, could greatly improve the overall effectiveness of the Civil Affairs Branch to conduct economic development.

The distribution of AC and RC units must be re-balanced to ensure long-term readiness and responsiveness of the CA units. The problem with having majority of CA force structure in the Reserve Component is that they are not as responsive as active duty organizations. Typically, a reserve unit requires approximately sixty days to mobilize upon notification, which may delay

⁹¹ Headquarters, Department of the Army, *Field Manual 3-05.40: Civil Affairs Operations* (Washington, D.C.: Government Printing Office, 2006), 3-2.

⁹² Lawrence J. Kolb, "Fixing the Mix," *Foreign Affairs* 83, no. 2 (March 2004), 2.

their arrival until long after they are needed during Phase IV operations. Another concern is the high demand of these units is requires increased disruption to the civilian lives of its Reserve soldiers, which in the long-term is politically untenable. In Fiscal Year 2010, the United States Army Reserve (USAR) CA BDE Headquarters cycled through the ARFORGEN cycle at a one-to-one point one BOG-to-Dwell ratio; meaning that units received only thirteen months and six days at home for every year they were deployed.⁹³ This ratio is well below the QDR stated BOG-to-Dwell goal of one-to-four. It is evident by the current trends projected in the Joint Operating Environment that operational demands for the military will not decline as land forces continue to focus on engaging more countries to help them build capacity to deny insurgents areas to operate.⁹⁴ General Casey reiterated this belief in April 2010 when he stated that the Army would have approximately 50,000 to 70,000 troops deployed for the near future.⁹⁵ This equates to approximately ten BCTs. Therefore, it is safe to assume that there is going to be a sustained demand for the unique stabilization capabilities that CA units provide. In 2010, Major Samuel Kyle Simpson examined this question and concluded the annual aggregate demand for supporting expected global contingencies for CA units would equate to 16.8 Company equivalents, 4.8 Battalion Headquarters, and 1.3 Brigade Headquarters.⁹⁶

To meet the anticipated future global CA demands and to reduce reliance on the RC, the Army should grow four additional AC CA Brigades. Because the Army's Active Component end-strength is limited to 547,000 personnel, the Army can accomplish this growth by converting

⁹³ United States Forces Command. "Infantry Warfighting Conference" (presentation at the Infantry Warfighting Conference, U.S. Forces Command, Fort Benning, GA, September 14, 2010), <https://www.benning.army.mil/iwc/2010/...Gen%20Thurman.ppt> (accessed December 7, 2010).

⁹⁴ George Casey Jr., "SITREP on the Army" (lecture presented at the Command and General Staff College, Fort Leavenworth, KS, April 16, 2010), MP3 file, https://courses.leavenworth.army.mil/webapps/portal/frameset.jsp?tab_id=_18_1 (accessed December 7, 2010).

⁹⁵ Ibid.

⁹⁶ Samuel Kyle Simpson, "Restructuring Civil Affairs For Persistent Engagement" (U.S. Army Command and General Staff College, 2010), 37.

more expensive and conventional capabilities into RC capabilities to free up personnel spaces. This monograph advocates accomplishing this task through the conversion of two Heavy Brigade Combat Teams (HBCT) from the AC to the RC and converting four CA Brigades and other critical enabling capabilities such as Engineers from the RC to the AC. This type of conversion will also do three things. First, it will relieve the stress on the Reserve Component by allowing the Active Component to shoulder more of the operational demand requirements for Civil Affairs. Second, it will provide enough AC force structure to allow each AC CA Brigade to focus its training, education, and recruiting efforts regionally. It will also allow the AC CA Brigade to provide the necessary continuity needed to oversee long-term development projects within these regions. Finally, it will provide the additional AC personnel slots to develop and build additional economic stability sections that will be discussed later in this section.

Table 3. Alternative BCT Force Mix

Approved 2013 BCT Force Mix				Proposed BCT Force Mix			
	Active Component	Reserve Component	Total		Active Component	Reserve Component	Total
HBCT	18	7	25	HBCT	16	9	25
IBCT	20	20	40	IBCT	20	20	40
SBCT	7	1	8	SBCT	7	1	8
Total	45	28	73	Total	43	30	73

Source: Author created.

The HBCT is an excellent candidate for this type of conversion because it accomplishes four things. First, it does not change the total number of HBCTs that would be available to deploy in support of a large-scale contingency such as OIF. Second, it does not greatly diminish the U.S. Army's global responsiveness. Because the HBCTs are reliant on strategic sealift to deploy, the amount of time that it would take for the flotilla to return to the U.S. after delivering the initial entry forces would provide adequate time for these RC HBCTs to prepare to deploy. Third, it has a negligible effect on how many HBCTs are produced in the ARFORGEN cycle. At a one-to-three AC BOG-to-Dwell cycle, the Army can still produce four HBCTs. Finally, at a ten BCT

demand, the Army can still meet its one-to-three AC and one-to-five RC BOG-to-Dwell rates if this conversion is executed. It will degrade the AC BCT dwell by approximately ninety-three days⁹⁷ while increasing the RC BCT dwell by approximately 162 days.⁹⁸ While this will reduce the deployment of reserve CA personnel who will deploy and bring with them critical experience and expertise that could help in economic development, long-term utilization of these personnel will become more politically untenable if the U.S. remains in a protracted conflict as predicted by the national strategies.

Table 4. BOG-to-Dwell Implications

BOG:Dwell based on Operational Demands Using Proposed 2013 BCT Force Mix				BOG:Dwell based on Operational Demands Using Proposed 2013 BCT Force Mix			
	BCT Demand	Active Component	Reserve Component		BCT Demand	Active Component	Reserve Component
2007-like (Peak)	27 (19 AC/8 RC)	1:1.1	1:1.3		2007-like (Peak)	27 (19 AC/8 RC) -34 days	1:1.5 +61 days
2010-like (Current)	22 (15 AC/7 RC)	1:1.7	1:1.7		2010-like (Current)	22 (15 AC/7 RC) -43 days	1:1.9 +70 days
2012-like (Post Iraq)	10 (7 AC/3 RC)	1:4.8	1:5.3		2012-like (Post Iraq)	10 (7 AC/3 RC) -93 days	1:5.8 +162 days

Source: Author created.

To help it integrate itself within the Army organizational structure, CA aligns itself organizationally within the various levels of the Army command structure. The Civil Affairs Commands (CACOM) provide theater-level CA planning, coordination, policies, and programs to

⁹⁷ Active Component BOG-to-Dwell is calculated using the following equation where 1.11 in the denominator accounts for 40 days associated with the relief in process activities in country.

$$AC\ BOG:Dwell = \frac{Total\ number\ of\ AC\ BCTs}{(Total\ BCT\ demand)(1.11)} - 1$$

⁹⁸ Reserve Component BOG-to-Dwell is calculated using the following equation where .75 in the numerator equates to nine months of availability and 1.11 in the denominator accounts for 40 days associated with the relief in process activities in country.

$$RC\ BOG:Dwell = \frac{(Total\ number\ of\ RC\ BCTs)(0.75)}{(Total\ BCT\ demand)(1.11)} - 1.$$

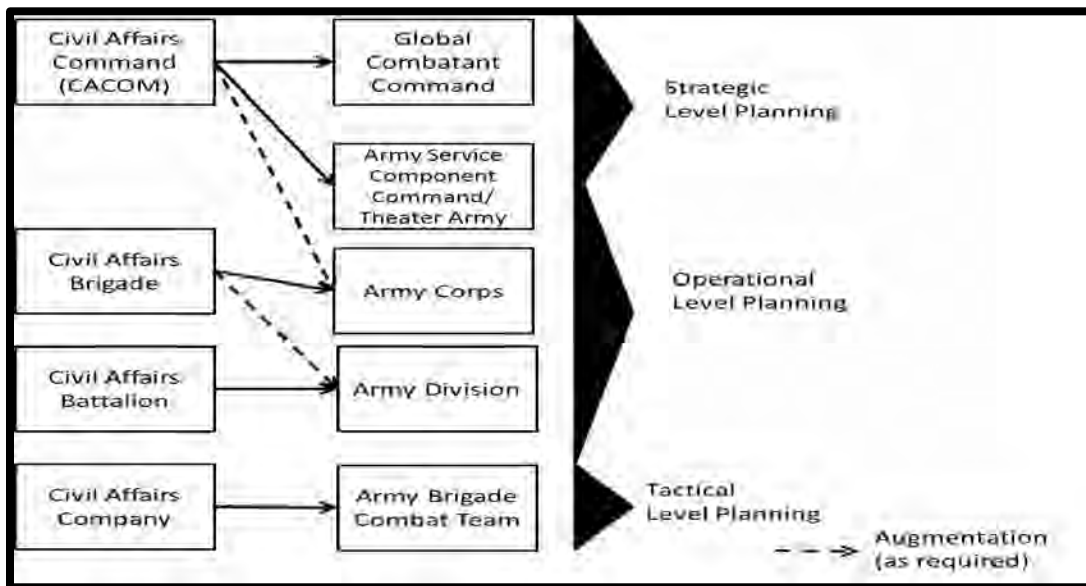
Dwell days are calculated using the following equation: Dwellx12 (months)x30 (days).

support stability operations through their alignment with the Combatant Command.⁹⁹ Below the CACOM, the CA Brigade supports the Corps and the Battalion supports the Division. While this type of support structure is beneficial at the Combatant Command Level, it does not provide the same level of operational fidelity at the Operational level where strategic guidance is translated into tactical actions. One way to increase operational fidelity is to allow the CA Brigade to support the Army Service Component Commands, or Theater Armies, directly. This will not only provide greater situational awareness for the CA Brigade (BDE), but it will also help facilitate and operational deployment. When an operation occurs and the Army Service Command employs its deployable Contingency Command Post (CCP), the CA BDE can deploy a fully integrated contingency planning cell that has full understanding of the country as well as the operational plan.¹⁰⁰

⁹⁹ Headquarters, Department of the Army, *Field Manual 3-05.40: Civil Affairs Operations* (Washington, D.C.: Government Printing Office, 2006), 2-2.

¹⁰⁰ A Contingency Command Post (CCP) is composed of approximately 100 personnel and serves as the deployable headquarters of the Theater Army/Army Service Component Command. It is designed to provide the Theater Army/Army Service Component Commander with an immediate, but limited, command and control capability for low to medium scale contingency operations. With additional enabling command and control capability, the CCP can serve as the foundation for a Joint Task Force Headquarters.

Figure 4. Army Civil Affairs Support Relationship



Source: Adapted from figure 2-2, Headquarters, Department of the Army, *Field Manual 3-05.40: Civil Affairs Operations* (Washington, D.C., 2006) 2-5.

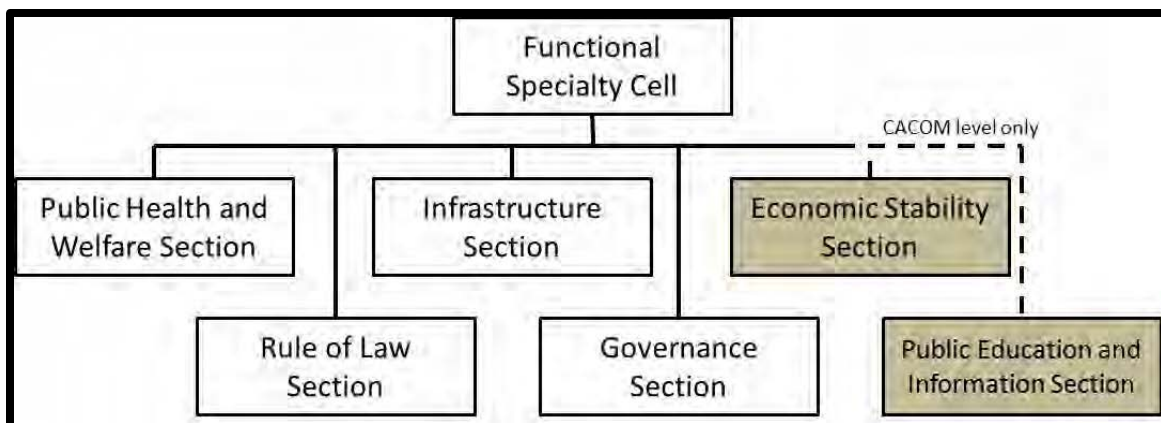
Within each of the four CACOMs, there are three functional specialty cells split into six sections. One of these sections is an economic stability section. The economic stability section is important because it provides the Geographic Combatant Commander with critical insights of the economic situation of a country. Manned with economic and business specialists, the economic stability section provides critical economic insights for the development of plans, policies, and procedures for establishing economic and commercial systems. The sections are capable of providing technical expertise to assist in the identification and assessment of food and agriculture systems, provide advice on the reestablishment of budgetary systems, monetary policy, treasury operations, and counter-inflationary measures such as price control and rationing programs.¹⁰¹

While this cell provides the Geographic Combatant Commander with economic advice to help in the development of strategic level policies, this essential capability is not present at either

¹⁰¹ Headquarters, Department of the Army, *Field Manual 3-05.40: Civil Affairs Operations* (Washington, D.C.: Government Printing Office, 2006), 2-10.

the tactical level or the operational level where strategic guidance is translated into tactical actions. As a result, the commands at these levels have to create ad-hoc organizations, typically by moving personnel with some level of economic background from their military specialty to fill this void. While this approach may work in some situations, there are two significant downsides to this approach. The first is that the Commander may not always have someone with the necessary expertise to understand the economic development challenges that the unit faces, which over time may worsen the problem. The second downside is by taking personnel from their assigned responsibilities, the Commander is assuming some inherent risk to his operation in areas from where they pull people. A way to mitigate this risk is by establishing an economic stability section in each of the CA Brigades, Battalions and Companies to integrate with the other four specialty cells. Executing this course of action would require approximately 600 additional AC personnel spaces, which would be within the personnel authorizations of this conversion strategy.¹⁰²

Figure 5. Functional Specialty Cell Organization



Source: Adapted from figure 2-4, Headquarters, Department of the Army, *Field Manual 3-05.40: Civil Affairs Operations* (Washington, D.C., 2006) 2-7.

¹⁰² The strategy would provide each AC CA Brigade with an Economic Stability Section consisting of 20 personnel at the Brigade level, eight personnel at the Battalion level, two personnel at the Company level, one person in each of the Contingency-A Teams and one person in each of the Civil Military Operations Centers within the CA Brigade.

Doctrine

Joint Publication 1-02: Dictionary of Military and Associated Terms defines doctrine as the “fundamental principles by which the military forces or elements thereof guide their actions in support of national objectives. It is authoritative but requires judgment in application.”¹⁰³

Doctrine is important because it provides the Army with guidance, a common understanding, and a generalized way of approaching a situation. First, it helps guide the Army in determining what type of force structure and technologies to pursue. Second, it provides a forum in which lessons from past operations can be recorded and disseminated. Third, it provides a foundation for how the Army conducts business in an operation by providing standardized approaches to a problem.¹⁰⁴ The purpose of doctrine should be to give a baseline understanding of how to approach a mission. Doctrine should not direct specific solutions or be prescriptive in providing solutions for specific problems. Rather, it should be generalized and provide abstract conceptual understanding for how to approach a problem. Prescriptive solutions and understanding should occur through mentorship or professional military education, which gives the individual the necessary experience to be reflective and approach the problem from different perspectives.

While the need for economic development is identified in nearly all of the Army’s major doctrinal field manuals to include *Field Manual (FM) 3-0: Operations*, *FM 3-28: Counterinsurgency*, and *FM 3-05.40: Civil Affairs Operations*, *FM 3-07: Stability Operations* provides the greatest conceptual insights into how an Army unit should go about conducting economic development. It provides military personnel with a generalized understanding that economic development efforts should integrate with efforts in governance and security,

¹⁰³ Joint Staff, *Joint Publication 1-02: Dictionary of Military and Associated Terms*: As Amended Through 31 July 2010 (Washington, D.C.: Government Printing Office, 2010), 143.

¹⁰⁴ Clinton J. Ancker II, “How Ideas Become Doctrine: The Evolution of Military Thought in an Era of Complex, Rapid Change” (Fort Leavenworth, KS: Combined Arms Doctrine Directorate, U.S. Army Combined Arms Center. 2010), 6-7

particularly at the local level. It highlights the importance of restoring the physical infrastructure of the host nation to facilitate the transfer of goods and services as well as the need to support the host nations central monetary institutions and treasury operations. Finally, *FM 3-07: Stability Operations* also discusses the importance of supporting private sector and agricultural programs. Yet, unlike other field manuals that help provide both detail and general understanding, *FM 3-07: Stability Operations* focuses solely on the general description at the strategic or national level. It provides little insights into how a BCT, CA Brigade, or any Battalion should approach economic development in their area of operation. As a result, military personnel seeking to understand how they can lead their units in an economic development mission are forced to look elsewhere.

One place where individuals can look is to the Center for Army Lessons Learned. This organization periodically publishes Handbooks and Playbooks that disseminate tactics, techniques, and procedures in areas ranging from the establishment of a Provincial Reconstruction Team to Agribusiness Development Teams. Although the Handbook 10-10 Agribusiness Development Teams, provides some excellent insights on areas to train prior to deployment, the majority of these books focus on administrative tasks such as filling out paperwork, approval cycles, and funding rules versus providing insights on best business or employment practices.

Although some critics of economic development believe the Army should not invest time or resources in writing this type of doctrine in favor other manuals that could have greater value, or because they believe the U.S. Army should not have a part in economic development, they are failing to recognize the increasing use of the military for stability operations. Because the U.S. Army is not going to untangle itself from stability operations that include an economic development aspect for the foreseeable future, it is critical that the Army develop a field manual that fills this void. While there is never a “one size fits all” approach to economic development, a manual that provides insights into economic development is significant. First, it provides the necessary detail and understanding to implement the national level economic development tasks

outlined in Table 1 successfully. Second, it will provide guidance on how to approach entrepreneurial economic development at the local level. Third, it will significantly influence the bureaucracy and funding authorities that enable this type of mission. Finally, it will codify many of the lessons and economic development approaches borne out of nine years of stability operations in Iraq and Afghanistan.

Training and Education

In examining some of the lessons learned from Iraq and Afghanistan, more commanders and senior officers highlighted the significance of economic development and its importance on the national and local economies.¹⁰⁵ Lieutenant General Robert Caslen Jr., a former Commander of the 25th Infantry Division cogently summarized this belief when he stated, “[f]rom a division commander who had responsibility for the seven northern provinces of Iraq here recently, we had an economic line of effort and we put a lot of energy into the development of the economy through CERP or starting new businesses . . . if I had had this background, and if our officers had had this training, this was exactly the kind of thing we need to go into these kinds of operations.”¹⁰⁶

Over the past nine years, the Army has taken some considerable steps in trying to educate its force on the importance of good governance and cultural awareness, which as discussed earlier, are critical components for successful economic development. It has established the West Point Center for the Rule of Law, which is dedicated to promulgating the idea of rule of law in both peacetime and conflict. It has established the Judge Advocate General’s Legal Center and School to provide members of other federal agencies with an academic understanding of the rule

¹⁰⁵ Bernard Carreau, “Lessons from USDA in Iraq and Afghanistan,” *Prism* 1, no. 3 (June 2010): 139-50.

¹⁰⁶ John J. Kruzel, “Economic Training for Junior Ranks Resonates with Military Chief,” Official Homepage of the United States Army, <http://www.army.mil/-news/2010/03/05/35363-economic-training-for-junior-ranks-resonates-with-military-chief/> (accessed December 7, 2010).

of law. The Army also established the Center for Law and Military operations to collect the lessons learned from past operational experiences with the rule of law in order to publish them to those deploying in support of a contingency operation.¹⁰⁷

Culturally, the Army has taken some positive steps as well. To begin developing future leaders who are culturally sound and have a strong foundation for high demand languages, the Army has begun to give incentives to Reserve Officer Training Corps cadets to take language courses as part of their undergraduate studies. It has also begun to institute and encourage enrollment in online language programs such as Rosetta Stone[®]. Finally, Officers identified for deployment in OIF or OEF are required to take language training if they are attending one of the Army's professional development schools.

While these schools have provided insights into the cultural and governance aspects of stability operations, a void remains when it comes to teaching economic development to the overall officer population. In examining the officer professional development system there is little to no economic development education for company grade and field grade officers who are the most likely to encounter economic development at the local and province level. When an officer is commissioned after the completion of their undergraduate studies, they attend the Officer Basic Course (OBC). The OBC is intended to provide specialty and some general training to prepare the officer for their future jobs as a Platoon Leader. Once the officer is selected for the rank of captain, they attend the Captains Career Course (CCC) which builds upon the education they received in OBC by providing the officer with more in-depth specialty training as well as some non-branch specific they will need to execute their future job as a company commander. This training typically includes equipment accountability and instruction on the Uniform Code of Military Justice. Once the officer attains the rank of major, they attend Intermediate Level

¹⁰⁷ Jefferson P. Marquis, *Developing an Army Strategy for Building Partner Capacity for Stability Operations* (Arlington, Virginia: RAND Corporation, 2010), 57-58.

Training (ILE) at the Command and General Staff College (CGSC). Intermediate Level Training provides the officer with a broad level of non-branch material instruction that focuses on Joint and Army operational planning, history, leadership and tactics.

At all of these schools, there is an emphasis on conducting stability operations but primarily focus on the security or military aspect. For example, the economic development education that majors attending the ILE program received during their core instruction focused solely on the bureaucratic rules of how to request, dispense, and account for funds from the CERP.¹⁰⁸ While this is important for accountability, the failure to provide some basic instruction on entrepreneurship or business development is a huge missed opportunity. Recently, CGSC developed some classes such as “Expeditionary Economics” and “Economic Instrument of Power” to provide exposure to economics. Although the enrollment opportunity for these classes was limited to approximately three percent of the population based on resourcing, this is a step in the right direction.¹⁰⁹ The Army and CGSC can take this to the next level by developing an economic development program of instruction similar to the joint planner, space activities, or strategist programs already taught to expose the general officer population to economics.

One way that this can be accomplished is through the development of a generalized economic development Army Skill Identifier (ASI). The ASI is a way that the Army trains and later identifies soldiers with skills beyond their basic military specialty. There is currently a 6C

¹⁰⁸ Special Investigator General for Iraqi Reconstruction (SIGR). “SIGR Accomplishments,” March 2010, <http://www.sigr.mil/files/about/SIGIRaccomplishments.pdf> (accessed December 7, 2010). Audits conducted in 2006, 2009, and 2010 demonstrated that U.S. Army lacked adequate numbers of contracting officer representatives and personnel trained to manage CERP funds; increasing the likelihood of fraud waste and abuse. Since the reporting of these findings, the U.S. Army increased the numbers of contracting officer representatives and trained personnel through CERP-focused training and certification prior to deployment.

¹⁰⁹ “CGSC ILE Graduation”, Fort Leavenworth Lamp, June 17, 2010. <http://www.ftleavenworthlamp.com/community/x1224666916/Eikenberry-discusses-interagency-ops-at-ILE-graduation-Intermediate-Level-Education-course-2010-01-awards-announced> (accessed December 7, 2010). The total student population that graduated from the Command and General Staff School Class 10-01 was 985. The available seats in A516 (Economic Instrument of Power) and A982 (Expeditionary Economics) was limited to 16 seats respectively for Class 10-01.

“economist” ASI, but it focuses primarily on those serving within the specialty functional cells of a CA unit. It requires a “[m]asters degree in economics, finance, international business, or business administration and/or a minimum of 5 years civilian experience in economics, banking, public finance, or foreign/domestic development or a related field”.¹¹⁰ While these types of qualifications are critically important for CA personnel, particularly in the economic specialty cells, it fails to provide the general officer population with the opportunity to gain tangible economic development understanding in order to improve their units’ capabilities and performance in stability operations. To fill this void, the Army should develop a “tactical economic developer” ASI program that provides basic understanding entrepreneurial and small business development strategies, innovative and imitative economic development strategies, and neighborhood development strategies. All of these types of courses can be taught at CGSC similar to the three programs discussed earlier. Doing so will increase the number of officers with the basic skills, insights, and approaches for tackling economic development issues at the tactical or local level.

Economic development training should also be a focal point for the Civil Affairs CA School to ensure that all active and reserve component Civil Affairs soldiers are certified to some level. According to Edward Burke, a researcher at the Spanish think tank Fundación para las Relaciones Internacionales y el Diálogo Exterior or FRIDE, Reserve CA officers “often lack training in political and linguistic skills, as well as an advanced knowledge of their local environment upon deploying to Iraq and Afghanistan.”¹¹¹ In conjunction with the formal military education provided by the Civil Affairs School, the Army should also focus the type of education

¹¹⁰ Department of the Army, *Pamphlet 611-21: Personnel Selection and Classification*, (Washington, D.C.: Government Printing Office, January 22, 2007), Table 4-3. This ASI is also restricted to the ranks of captain to colonel or grade of O-3 to O-6. There is no economic related ASI for enlisted or warrant officer ranks.

¹¹¹ Edward Burke, “Leaving the Civilians Behind: The ‘Soldier-diplomat’ in Afghanistan and Iraq,” *Prism* 1, no. 2 (March 2010): 30.

soldiers receive when pursuing a master's degree as part of its Advanced Civil Schooling (ACS) program. While there are some branches in the Army that direct the study program for its participants, the majority of them do not. As a result, educational experience that would be mutually beneficial to both the officer and could provide the Army with broader economic or business development knowledge is lost.

In trying to improve its soldiers understanding of the interagency and the private sector, the Army has instituted several strategic relationships with other federal agencies, think tanks and private institutions. Examples of these include fellowships at the Department of State, Arroyo Center, and the United States Congress. While these opportunities are greatly beneficial to those officers that attend, participation is limited to a small handful of officers. To rectify this problem, the Army should further expand these opportunities by establishing standing assignments that qualified Civil Affairs soldiers can fill which directly related to economic development. By expanding training opportunities with federal agencies such as USAID and the Departments of Commerce, Trade, Agriculture, and Treasury and with private and non-governmental organizations such as the Grameen Bank, U.S. Chamber of Commerce, Kauffman Center, and the International Agency for Economic Development, soldiers will gain critical economic development insights that they can bring back to the Army.

Conclusion

The current environment that the United States exists in is one, which will require greater commitment to stability operations if it is going to secure its interests abroad adequately. Doing so will require a greater understanding and ability to skillfully employ economic development as a way to achieve long-term stability. Since the end of the Cold War, the United States Army has clearly demonstrated that it understands and can effectively conduct conventional operations. Yet, the conflicts the Army currently faces and will for the foreseeable future will require non-conventional understanding to effectively execute stability operations or counterinsurgency operations. These types of missions are less familiar and require understanding of factors other than military force to include governance, information, tribal influence, religion, history, culture, and economic development.

In a 2010 article discussing the military's attempts to cope with the complex operational issues presented in stability operations, the Chairman of the Joint Chiefs of Staff, Admiral Michael Mullen stated, "[t]his just strikes at the heart of something I've thought for a long time: It's all about economics."¹¹² Yet, the Army is currently ill-prepared to deal with this central issue because it is apprehensive to formalize, institutionalize, and build upon the lessons that it has gained over the past nine years in the conflicts in Iraq and Afghanistan. As a result, extensive familiarity and understanding of the complex environments presented in both counterinsurgency and stability operations could be lost. Instead, the Army seems to be relying on the "whole of government" approach as a silver bullet solution so it can disengage from developing and institutionalizing many of the "uncomfortable" capabilities in favor of traditional military capabilities.

¹¹² Jeff Chu, "Joint Venture," *Fast Company*, May 2010, 78.

While the “whole of government” approach is a lofty one, the realities of large-scale contingencies indicate that organizations such as the Civilian Response Corps will not absolve the U.S. Army from an economic development role in stability operations. Experiences with this type of approach demonstrate that it will not achieve its full expectations until a fully secure environment is established. As demonstrated in both Iraq and Afghanistan, while civilian economic development experts bring significant expertise to a stability operation, they are continually apprehensive about venturing into uncertain or hostile environments. Therefore, it is incumbent upon military to fill this operational gap in order to seize and exploit potential opportunities to lay the foundation for long-term economic development in these situations.

While the Army has taken some considerable steps in adapting its force structure to provide better cultural awareness and focus for its BCTs to conduct security forces assistance under the regional alignment plan, it must also do so in its non-traditional military capabilities as well. By developing doctrine that addresses many of the economic development questions presented in local and by providing officers and non-commissioned officers with some basic understanding of economic theory and development approaches in their professional education, the Army can improve its overall effectiveness in stability operations. The Army can take another significant leap in establishing a balanced force for the twenty-first century that is able to respond to global contingencies by growing its active CA capabilities. By converting two HBCTs from the AC to the RC and converting four CA brigades and other critical enablers from the RC to the AC, the Army will be able to shoulder more operational demands while developing and sustaining the necessary regional expertise and long-term development oversight necessary to support the Geographic Combatant Commands more effectively.

In their book *Military Misfortunes*, Eliot Cohen and John Gooch identify three kinds of failure that military organizations encounter: failure to learn, failure to anticipate, and failure to

adapt. They argue that when two or more failures occur at the same time, it is an aggregate failure that can have catastrophic effects.¹¹³ It is apparent, based on the current trends and projections provided by the CCJO, that technology, globalization, urbanization, and weak or failing states, as well as competing international narratives that will require the military to possess in-depth knowledge and experience in each of the instruments of power; to include the economic instrument of power. Although the Army has anticipated this requirement, continued reluctance to learn and adapt its organization could result in the Army relearning these lessons the same way it did in both Iraq and Afghanistan – the hard way.

¹¹³ Eliot A. Cohen and John Gooch, *Military Misfortunes: The Anatomy of Failure in War*, Illustrated. ed. (New York: Anchor, 1991), 26.

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